



A MAJESCO WHITE PAPER

The Future of Insurance Starts Here

Your Insurance Customers: A Crystal Ball of Big Changes in a Small Window of Time

JANUARY 2022

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Your Insurance Customer: A Crystal Ball of Big Changes in a Small Window of Time

Executive Summary

The future of insurance, while still evolving, is without doubt picking up steam!

While technology often gets much of the focus, it is not the driving force of change. Customers are the driving force, with the digitally-native leading the way and opening the door to incredible growth opportunities. Changes in customer behaviors and expectations, driven and reinforced by new capabilities unleashed by technology, demand the insurance industry reconsider the way things have been done by focusing on what is expected today and in the future.

When looking at current books of business bought mostly by Boomers and Gen X and representing a large portion of today's revenue and profit, insurers may be tempted to think that they have time to adapt to the next generation, market changes and new demands. But that is not the case by a long shot!

“Changes in customer behaviors and expectations, driven and reinforced by new capabilities unleashed by technology, demand the insurance industry reconsider the way things have been done by focusing on what is expected today and in the future.”

This year's customer survey highlights the urgency of rapidly adapting to a new reality for all customers, and Millennials and Gen Z in particular. They are now the dominant buyers for both life and non-life insurance products with a focus on five specific segments: life/health/accident, employee/voluntary benefits, auto, mobility, and homeowners/renter's insurance.

Millennial and Gen Z life journeys have not followed the traditional path set by older generations, with high percentages remaining single and not married but with partners, and other significant lifestyle shifts from older generations that require different insurance needs. However, over the next three years they plan to accelerate their life journeys, outpacing the older generation in all aspects, including twice the average rate of changes in the home, work, and mobility aspects of their lives.

From an insurance perspective, we found that COVID has increased the awareness and recognition of the value of insurance. However, COVID also significantly changed expectations of buying to be far more digital, offering insurance through more desired channels – where embedded insurance is seen as extremely valuable, and digital payment options have exponentially increased including through new options like Bitcoin, Zelle and Venmo. Most interesting is the shift in expectations in types of insurance products needed, the necessity for value added services and the demand for personalized underwriting leveraging new data sources including IoT devices.

Furthermore, the desire for a holistic customer experience – where digital offerings bring together other products and services to help customer manage their lives – has intensified compared to what we saw nearly two years ago. Bringing together a full view for customers across their insurance products, value added services and non-insurance products is increasingly expected – but often not delivered, leaving a gap between customer expectations and what insurers are delivering.

“Insurers must quickly update their mindsets, their processes and technology, or risk being left behind in a state of irrelevance.”

This gap opens the door for new competitors to meet that expectation – either directly or through partnerships with insurers. Just consider what companies like Sofi, Ford, Petco, Outdoorsy and many property management companies are doing by offering insurance products through embedding or partnering on channel options with various insurers. This year’s research highlights the missed opportunities for these new channels that can capture customers when and where they want through a broader market network of partners.

The viability of the insurance industry is vitally connected to demographic trends, market trends, customer expectations and adoption of new technologies. If we lose touch with our customers, both current and future, we lose business.

The next generation of buyers is here today. The older generation has accelerated their adoption of digital, increasing their expectations as well. Insurers must quickly update their mindsets, their processes and technology, or risk being left behind in a state of irrelevance.

Big Changes in a Small Window

Small changes over a period of time add up and reflect big shifts. This report reflects those big shifts within a 7-year window from late 2018 and extending three years from now, to 2024, for consumer behaviors, needs and expectations.

The shifts tell the story of insurance customers within that 7-year window, from pre-COVID in late 2018, during COVID today, and extending out three years to 2024. The research chronicles how insurance customers have changed and how they expect to further change. These changes have significant implications for the insurance industry. Consumer needs, expectations and behaviors must be met in both what is offered (products, value-added services), how it is offered and the overall customer experience.

“Looking back and then to today, insurance has had both hits and misses in meeting customer needs and expectations. Many misses are lost opportunities that can’t be recovered. But new opportunities are emerging that innovative companies can take advantage of.”

Looking back and then to today, insurance has had both hits and misses in meeting customer needs and expectations. Many misses are lost opportunities that can’t be recovered. But new opportunities are emerging that innovative companies can take advantage of. Even more important, to be successful, you cannot stand still, even for those with a record of hits. Every company must keep abreast of customer changes to ensure success over the next three years...and beyond. How? By paying close attention to what customers expect their lives to look like and, consequently, what they need and expect to support their livelihoods and lifestyles.

Customers’ Changing Lives Create New Product Opportunities

The Insurance Buyer Sweet Spot Has Shifted

We first highlighted the 30-60-year-old insurance buyer “sweet spot” in our 2020 report, [Rethinking Auto Insurance: From a Transactional Relationship to a Mobility Customer Experience](#), with the message “they are coming, be prepared” as reflected in Figure 1. The reason is, this segment is a great fit for insurance and financial products, given their life stage and need for insurance and financial planning due to establishing their family and household as well as wealth and asset accumulation needing protection.

Today, they are here and growing. In fact, Millennials eclipsed Gen X and Boomers as the primary buyers of insurance and will be joined in three years by Gen Z, accelerating a new “sweet spot” of buyers that are very different than the past generation.

Using the data, we created two generational “super segments” by combining Gen Z with Millennials and Gen X with Boomers, to contrast and understand their differences and similarities as the first group was born or grew up digital, and the second one has had to adapt to digital. The demographic characteristics of each segment align to typical expectations, with Gen Z & Millennials in the early stages of their life journeys and Gen X & Boomers in more mature stages, marked by higher rates of homeownership, marriage and children over 18 years old.

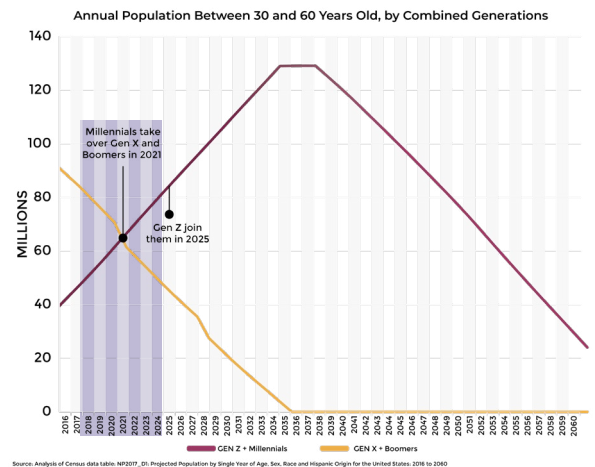


FIG. 1 The Insurance Buyer “Sweet Spot”

Millennials' life journeys have not followed a traditional path, largely due to the severe economic stress of the 2007-2009 Great Recession as they entered the workforce. Since then, many have achieved a firm foothold in their life stage journeys, with a growing majority owning their homes and having children. Yet, high percentages of Gen Z & Millennials are single (42%) and not married but with partner (11%), reflecting a significant lifestyle shift from older generations, which likewise reflects different insurance needs as seen in Figure 2.

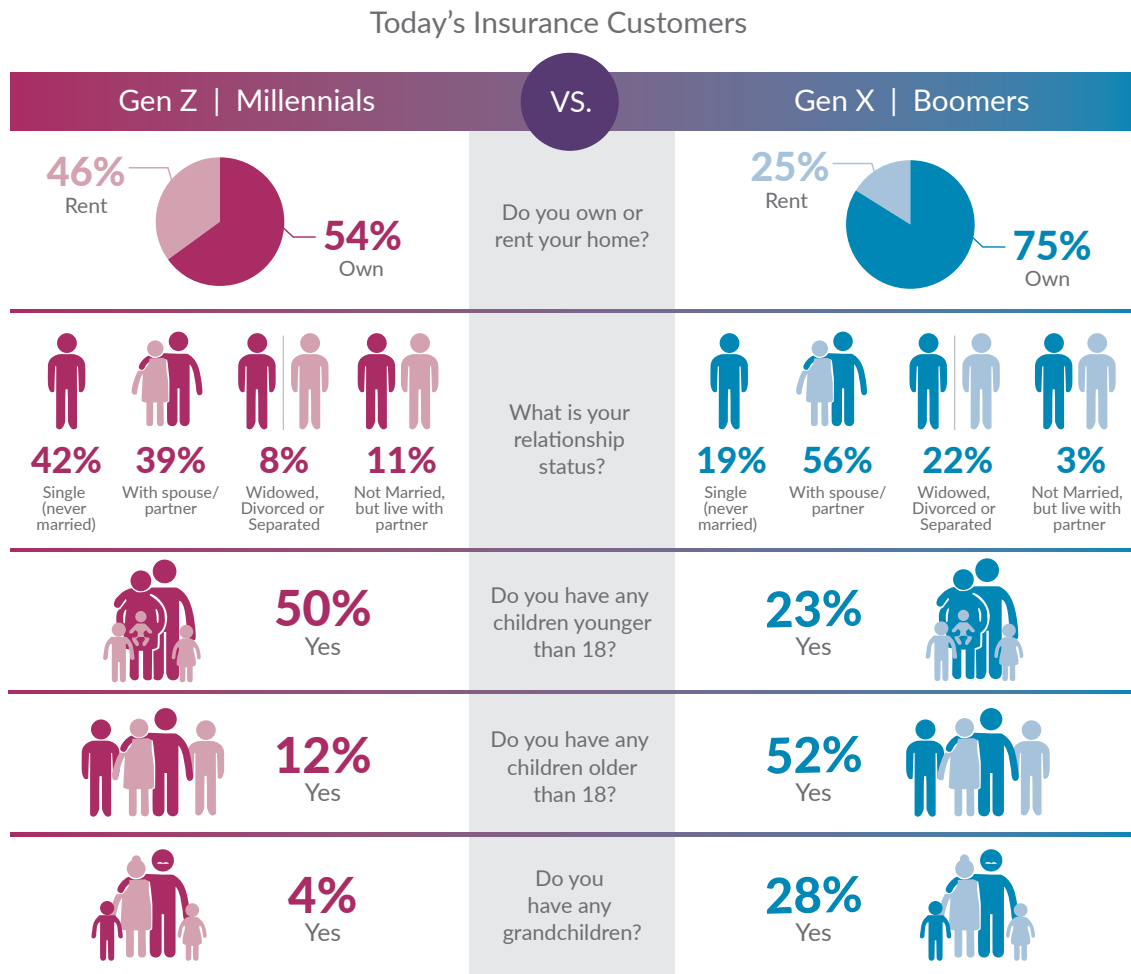


FIG. 2 Life stage characteristics of today's insurance customers

Over the next three years Gen Z & Millennials plan to accelerate their life journeys, outpacing Gen X & Boomers in lifestyle changes in all aspects, including twice the average rate in Home and Work categories, as seen in Figure 3. Each of these aspects are further assessed in detail in the report over the 7-year window.

Major Life Stage Changes

What life stage changes will they make in 3 years?

“Over the next three years Gen Z & Millennials plan to accelerate their life journeys, outpacing Gen X & Boomers in lifestyle changes in all aspects, including twice the average rate in Home and Work categories.”

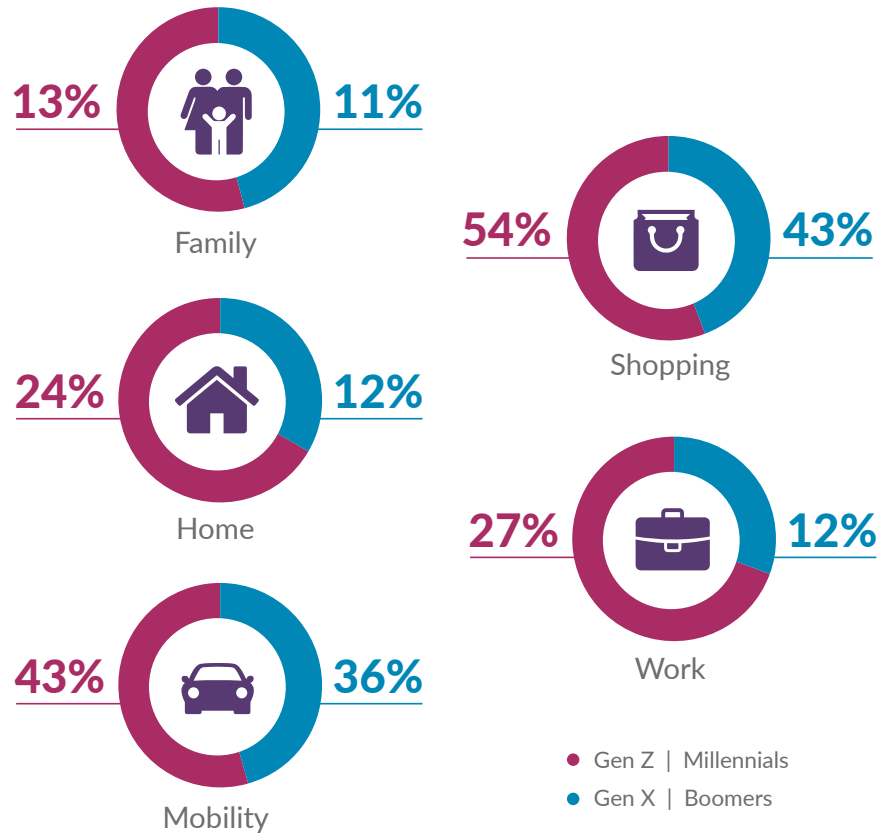


FIG. 3 Expected life stage changes in the next 3 years.

A crucial factor influencing each generation is COVID-19 and subsequently their views on insurance. Just under half of Gen Z & Millennials and 40% of Gen X & Boomers in this year’s research felt that insurance has become more important due to the pandemic.

How long will this influence last? It is hard to know. However, it underscores the need to be prepared for major market shifts and events and respond quickly with new or modified products, value-added services and customer experiences that meet rapidly changing customer needs and expectations.

Has the COVID-19 pandemic changed your views about the importance of insurance?

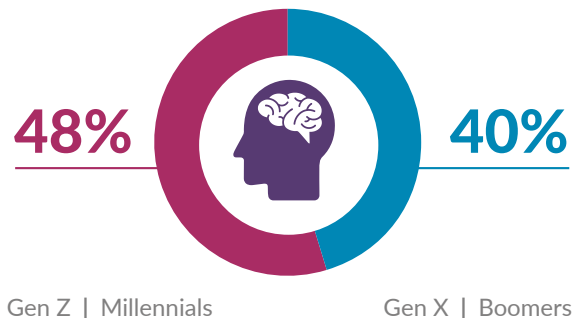


FIG. 4 COVID’s impact on the importance of insurance

Work Trends

During 2020, 42% of Americans worked from home, nearly double the rate from 2019.¹ Gen Z & Millennials reflected higher rates of gig work as both independent contractors and rideshare drivers in 2021, likely reflecting job losses, resignations from jobs and seeking new job options. This segment anticipates a steady continuation of independent contractor work, but a decrease in rideshare work back to pre- and early-COVID levels as their employment and personal financial stabilize.

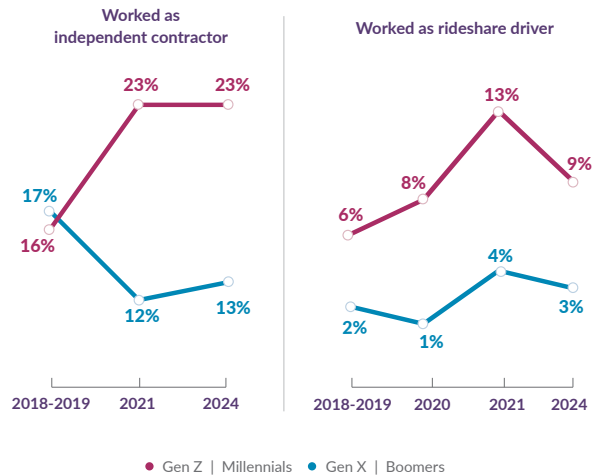


FIG. 5 Gig Economy work trends

“All of these changes reflect growing opportunities for insurers to cover the shifting worker and employer needs. From on-demand benefits for gig/independent contractor work to work from home setups – employee and employer needs are dramatically changing.”

True to this generation, Gen Z & Millennials expect to be in different jobs (45%) and working remotely (40%), continuing the transient aspects of this generation that will put new demands on employee benefits to be flexible and portable. Nearly 25% indicate they will start a new business, highlighting the need for insurers to develop relationships with employees directly to keep them as customers as their lifestyle changes.

All of these changes reflect growing opportunities for insurers to cover the shifting worker and employer needs. From on-demand benefits for gig/independent contractor work to work from home setups – employee and employer needs are dramatically changing. Innovative options like Nationwide’s Work From Home Insurance, which bundles home/renters, usage-based auto, and identify theft insurance² is an example at the forefront of this change.

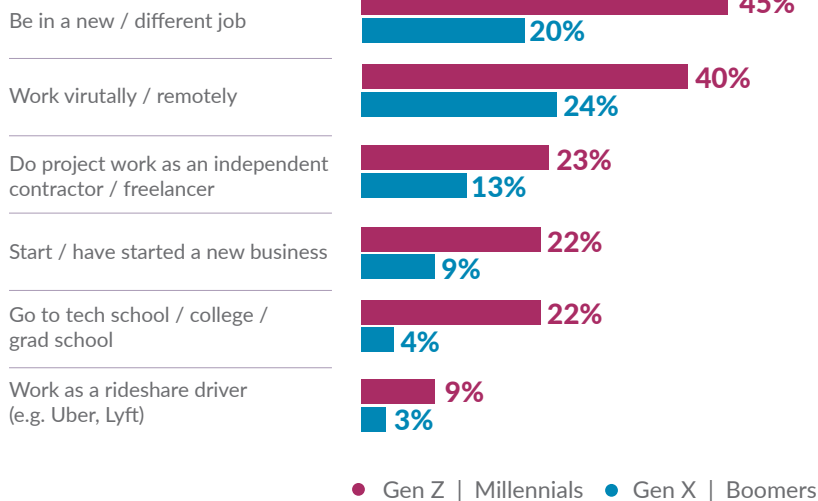


FIG. 6 Expected changes in work in the next 3 years

“Insurers can take advantage of Gen Z & Millennials’ high levels of interest for both planning (money management, financial planning, debt management) and financial loss prevention and recovery services (identity theft insurance, credit monitoring) as first areas of focus for partnerships.”

Financial Product Trends

Bank checking accounts and investments continue to see steady usage levels, with the exception of a dip in 2021. This could be a result of pulling back on investments or using investments to help during the pandemic, job losses and resignations. However, customers expect to return to those steady levels over the next three years.

Value-Added Services - Financial Wellness

Gen Z & Millennials have consistently trailed the older generation in banking and investing by an average of 10% to 15%. This offers an excellent opportunity to engage them now to address a broader financial well-being approach by developing a partner ecosystem that brings together other financial offerings and value-added services. Insurers can take advantage of Gen Z & Millennials’ high levels of interest for both planning (money management, financial planning, debt management) and financial loss prevention and recovery services (identity theft insurance, credit monitoring) as first areas of focus for partnerships (Figure 8).

While Gen X & Boomers don’t feel the same need for planning tools or services, they are still interested in financial loss prevention and recovery services to protect their financial assets as they enter or are in retirement.

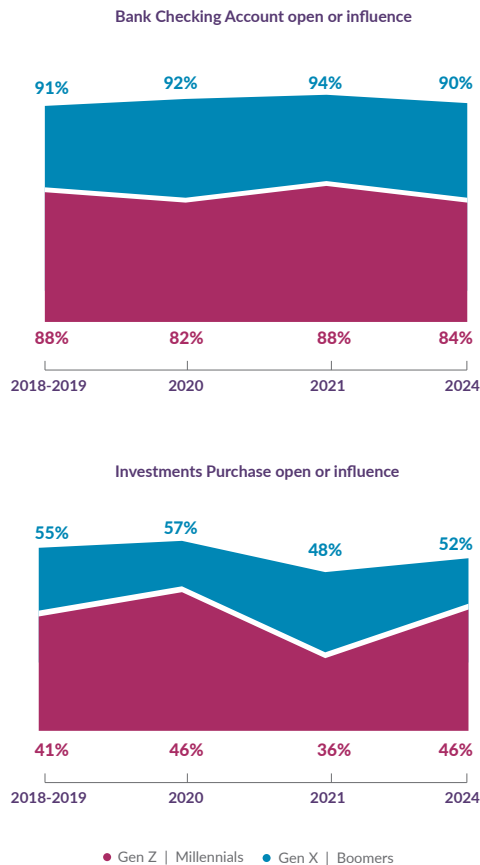


FIG. 7 Financial products used in households

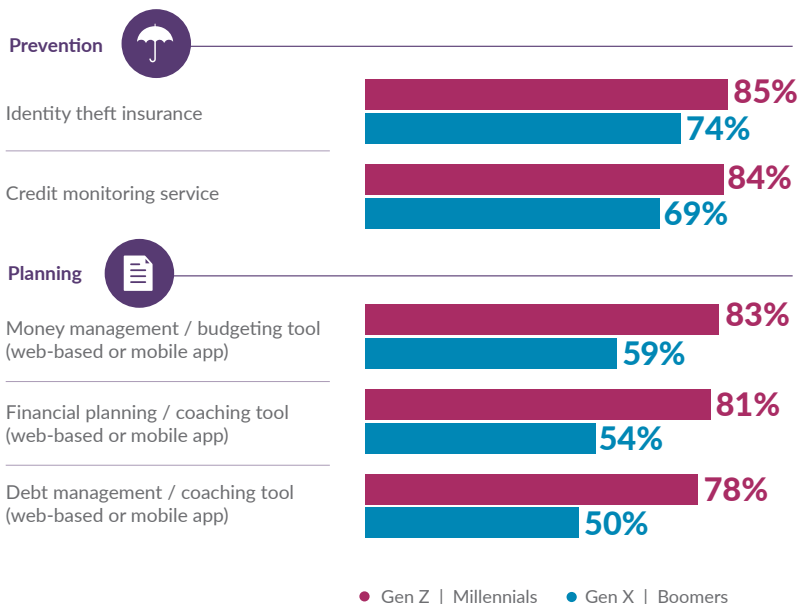


FIG. 8 Interest in financial wellness value-added services

Digital Shopping Trends

The last year has accelerated the use of digital and online options across all industries. The level of impact is substantial with 66% of Gen Z & Millennials and 54% of Gen X and Boomers changing their views of digital and online due to COVID as seen in Figure 9. Reinforcing this, McKinsey research found that online purchases increased 30% since the beginning of COVID and have remained at this level.³

Has the COVID-19 pandemic changed your views about the ability to do things online/digitally?

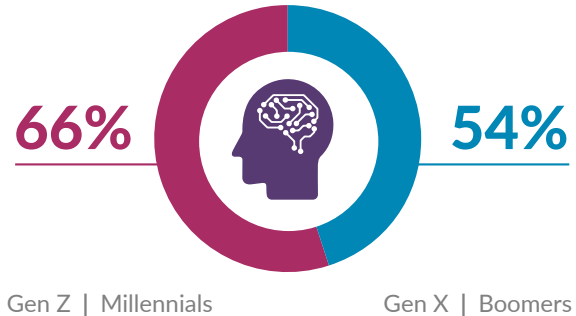


FIG. 9 COVID's impact on the importance of digital capabilities

“Both generational groups expect to do more shopping and buying online, outpacing in-store or in-person shopping by 10%. This flips the traditional approach of in-person to online as the primary option.”



FIG. 10 Expectations for digital vs. in-store shopping in the next 3 years

And expectations continue to rise for digital and online. Both generational groups expect to do more shopping and buying online, outpacing in-store or in-person shopping by 10%. This flips the traditional approach of in-person to online as the primary option. However, the continued interest in in-person reflects the desire for multi-channel options.

Digital payments go hand-in-hand with digital shopping. Gen Z & Millennials have led the way in use of digital payment apps from our previous research, but their use grew this year by 15 percentage points for Apple Pay, Samsung Pay and company apps and grew 22 percentage points for Zelle and Venmo, digital wallets that share funds between people or businesses. Gen X & Boomers show steady usage of digital payment apps but their use of digital wallets jumped 17%. The ease and convenience of digital wallet apps are gaining popularity as people use them to sell and buy personally with others as well as use with businesses, very different than payment apps.

Interestingly, 25% of Gen Z & Millennials are using Bitcoin for payments, a substantial increase over the mere 6% in 2019. Over the last two years, cryptocurrency has begun to move mainstream driving increased interest and usage. Estimates of cryptocurrency ownership in the U.S. range from 14% (Gemini, crypto exchange⁴) and 16% (Pew Research Center⁵). Companies accepting Bitcoin payments continues to grow including Microsoft, PayPal, Overstock, Whole Foods, Etsy, Starbucks, Newegg, Home Depot, Rakuten and Twitch.⁶ AM Best reported that insurers are exploring this option as well, citing Metromile and Universal Fire & Casualty Insurance Company as two examples.⁷

What this means for insurers is the need for a wider range of payment options available for customers, particularly the Gen Z & Millennial generation. Given the nearly 300% increase in use of bitcoin in two years and the 50% growth in digital wallets in one year, insurers are behind the rapid rise in alternative new payment options, putting customer experiences at risk.

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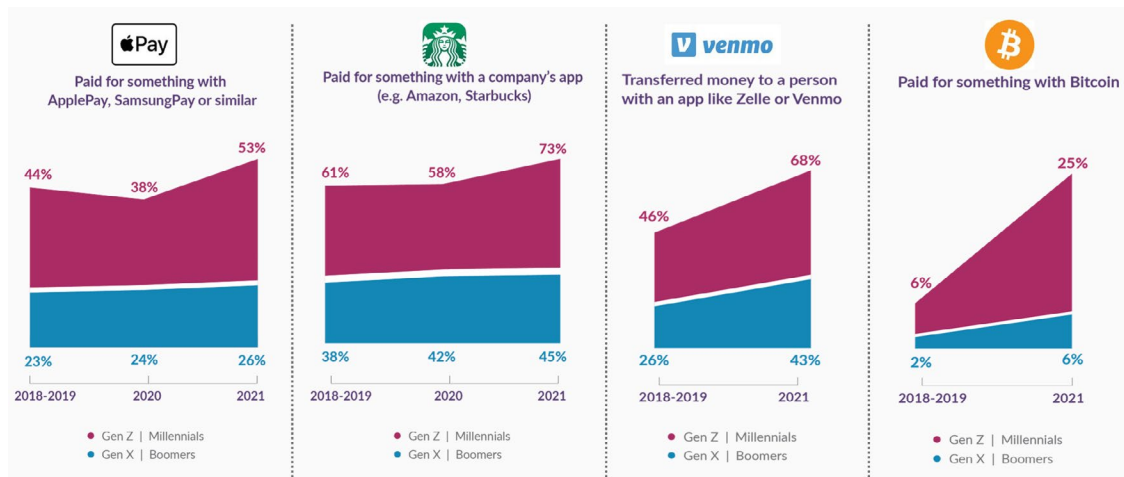


FIG. 11 Customers' digital payments trends

Insurance Trends

Individual Life and Health Insurance

Family Changes Expected

Gen Z & Millennials' higher expectations for family changes undoubtedly helped raise the importance of insurance to them, with 25% planning to have children and 22% expecting to be caring for an aging parent or relative (Figure 12). Furthermore, 15% expect to get married and have kids in college or tech school, reflecting the transition into later family life stage changes, and subsequently the opportunity for insurers to offer life and health insurance, both as individual or as voluntary benefits.

In contrast, the older generation is entering their later life stages with retirement and will focus on maximizing their income through life, annuity and other investments. The ability for insurers to help them retain their money and manage their income is becoming a significant market opportunity that will require new products, services and partnerships to deliver.

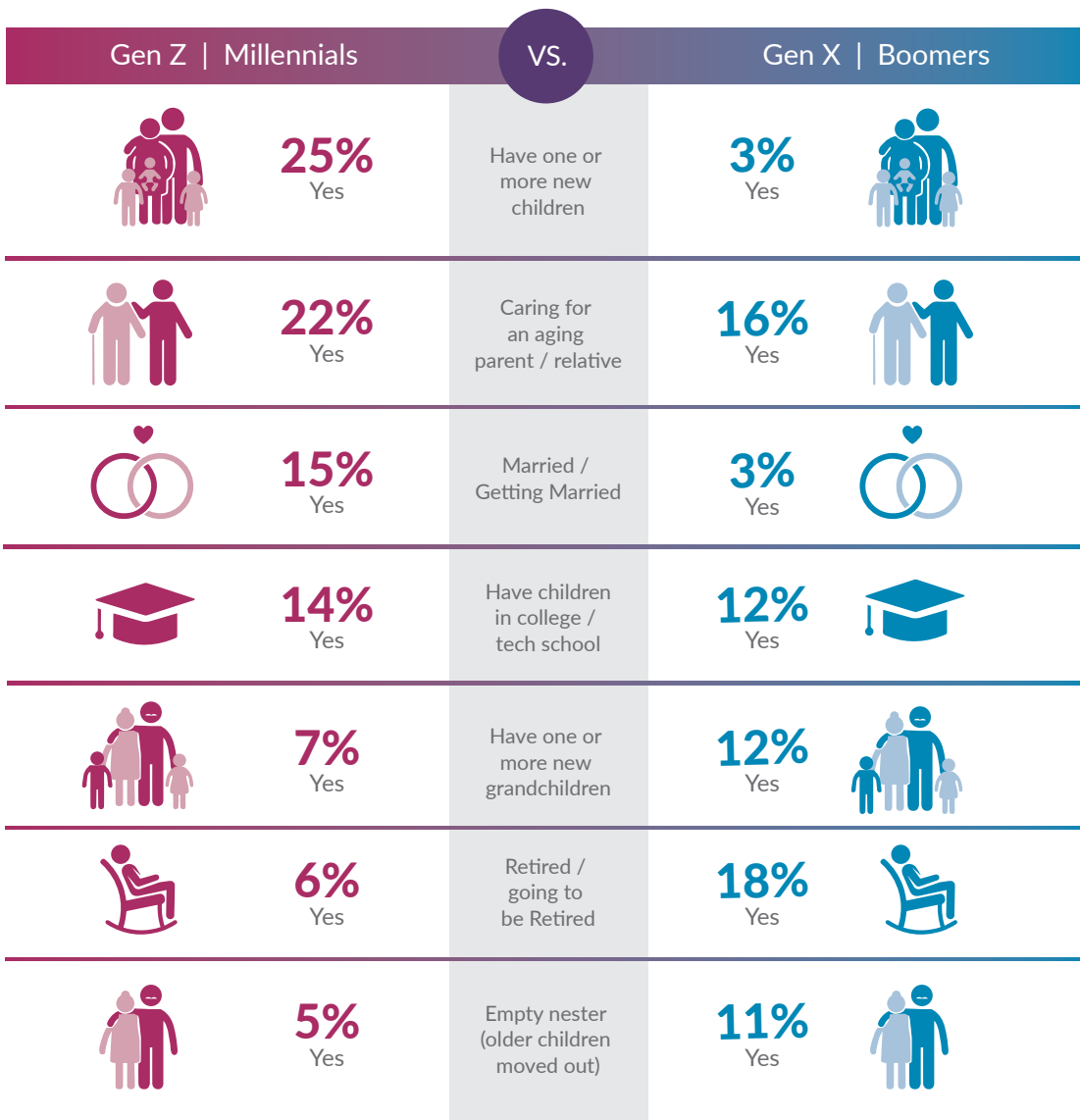


FIG. 12 Expected family-related changes in the next 3 years

Life Insurance - Then, Now, Next

Our 2020 survey responses were received as the pandemic was heating up, explaining the jump in individual life insurance among Gen Z & Millennials, something we saw play out in the market and media. Gen X & Boomers remained largely unchanged.

What is interesting is the anticipated drop in individual life insurance in 2021 and 2024. A number of factors could be influencing this drop, including not needing any additional purchases, shift in employment where insurance may not be available, retirement and lack of portability, or lack of affordability, as it is a discretionary purchase.

Insurers will need to continue to innovate and look at new channels to retain growth in this insurance segment.

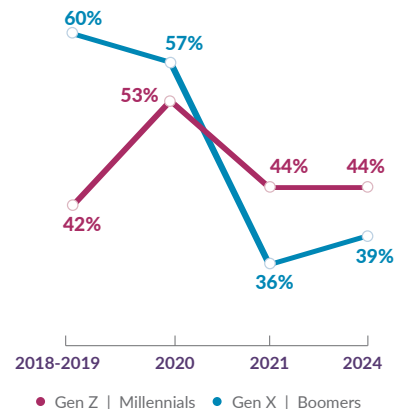


FIG. 13 Households with purchased individual life insurance

Value-Added Services – Life, Health, Benefits

Value-added services offered with life, health or voluntary benefits received very high marks of 73% - 87% for Gen Z & Millennials. While there was lower interest of 44% - 67% for Gen X & Boomers, these numbers still suggest specific demographics within this segment would be interested. Together these numbers reflect a strong opportunity for insurers to experiment with new offerings, such as a fitness tracker program that would encourage healthy lifestyles and provide alerts on potential health issues. These offerings would provide a new level of engagement with customers and develop trusting relationships that can ensure retention, but more importantly potential new sales opportunities.

“These numbers reflect a strong opportunity for insurers to experiment with new offerings, such as a fitness tracker program that would encourage healthy lifestyles and provide alerts on potential health issues.”

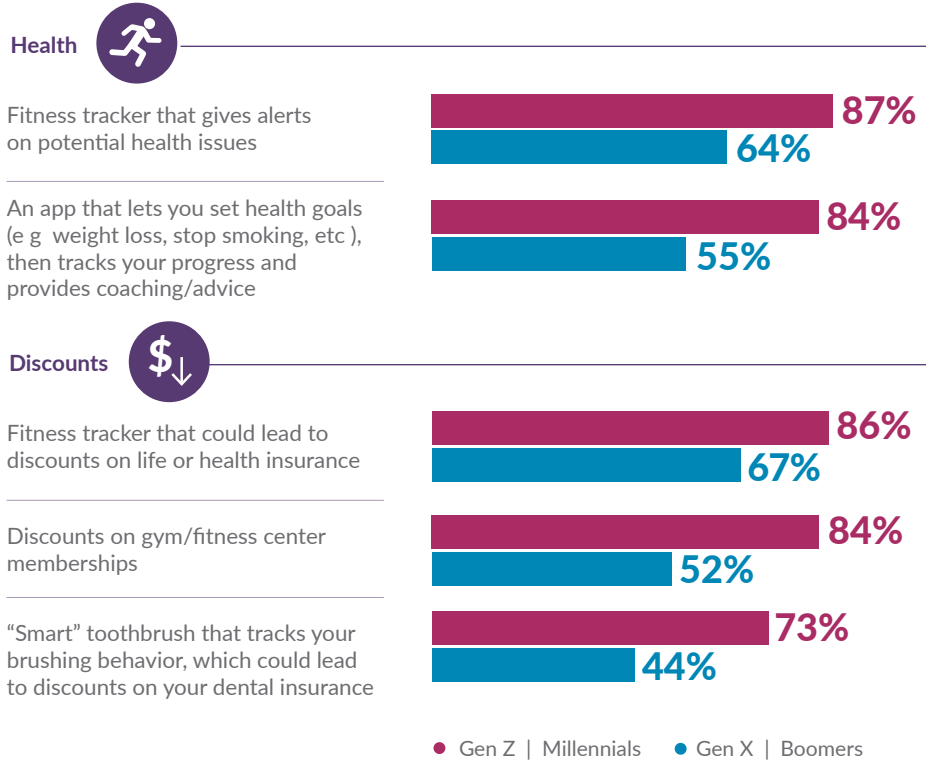


FIG. 14 Interest in life, health, voluntary benefits value-added services

Customer Experience – Life/Health/Accident Insurance Purchase Channels

Both generational segments strongly agree that traditional insurance company and agent channels deliver the best purchase experience for this insurance segment, while splitting in interest for the new and high-tech channels (a pattern for other types of insurance, as we’ll see later) as reflected in Figure 15. Once again, Gen Z & Millennials are significantly interested in these newer channels given their convenience and that they are likely trusted as compared to the older generation with gaps up to 50% difference.

It reinforces the need for insurers to rapidly embrace a multi-channel environment if they are to capture and retain the business of this younger generation, as they begin to evolve their lives and have increased insurance needs.

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FIG. 15 Interest in life, health, accident insurance purchase channels

In looking at the year-over-year changes between 2020 and 2021 from the height of the pandemic to the daily management of it, both generational groups saw increases across new and high-tech channels, as highlighted in Figure 16. In particular, high tech channels saw the most significant increases in preference for Gen X & Boomers, reflecting the shift to digital channels for shopping this generation embraced during COVID.

In contrast, traditional preferred channels for agent and affinity groups saw sizeable declines with Gen X & Boomers, while the company website gained in popularity, reflecting the shift to digital channels. Both generations are moving to more digital, new channels overall.

“High tech channels saw the most significant increases in preference for Gen X & Boomers, reflecting the shift to digital channels for shopping this generation embraced during COVID.”

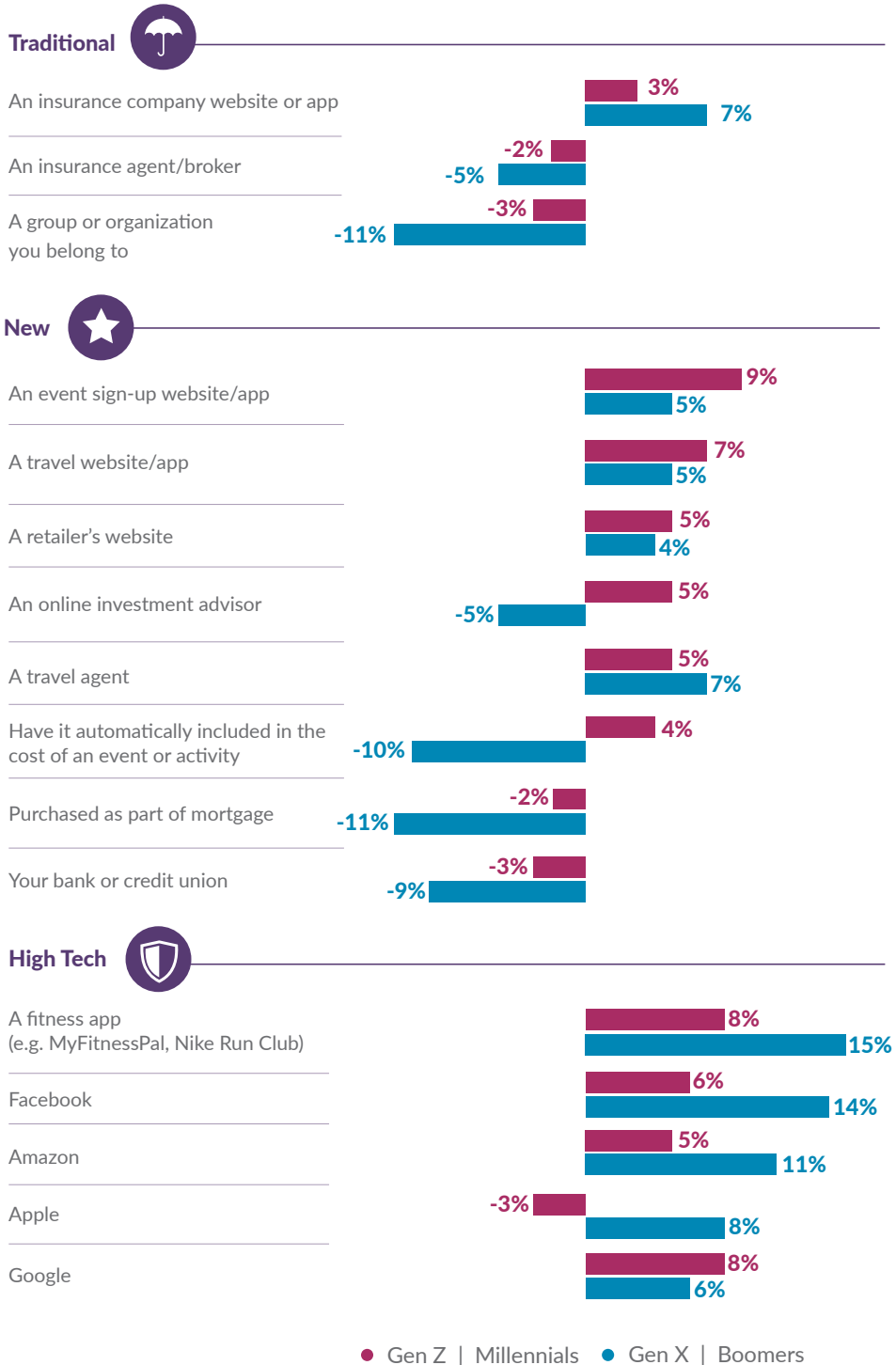


FIG. 16 Changes in life, health, accident insurance purchase channels interest, 2020 to 2021

Customer Experience – Using Life, Health and Accident Insurance

“Over our annual surveys, we have seen the younger generation open to using personal and other data as long as they get value.”

Overwhelmingly, basing life, health, and accident insurance premiums using digital real-time data is popular with Gen Z & Millennials on a range of 71%-78%. While popularity among Gen X and Boomers is not nearly as high, they still have a solid interest of over 50%. Over our annual surveys, we have seen the younger generation open to using personal and other data as long as they get value. These numbers reflect that perspective.

The use of a fitness tracker for that data is popular and will likely grow given the focus on wellness by both generational groups. John Hancock’s successful program reinforces this concept.

The interest in accident insurance coverage triggered when a mobile phone senses traveling, once again reflects new data sources but more importantly convenience and ease. Both generations are interested, but when you consider the 79% interest level of Gen Z & Millennials combined with their plans for increased travel in the next three years (as seen in later in Figure 36), this offers a potential new on-demand product and market opportunity.

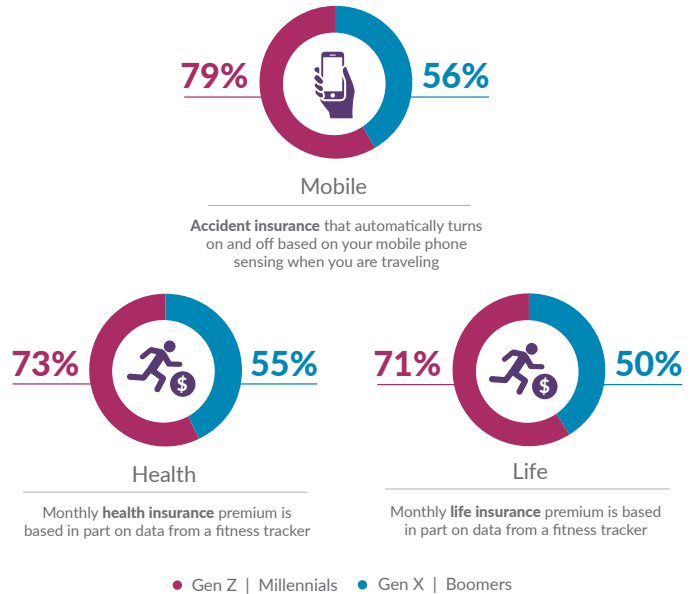


FIG. 17 Interest in ways to activate and determine the cost of life, health, or accident insurance

Employee Group and Voluntary Insurance

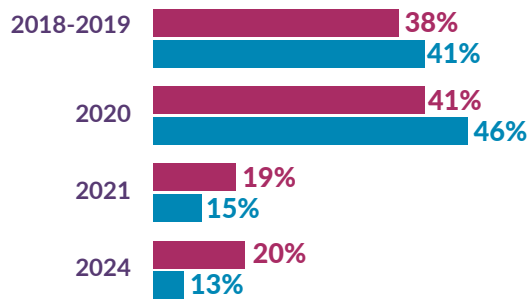
Employee Insurance Products – Then, Now, Next

“It highlights the need for innovation around employee benefits and coverages for a younger generation who have different lifestyle needs as well as for on-demand workers who are estimated to be an increasing part of the workforce.”

Use of employee health and voluntary benefits showed sharp declines in our current survey, and surprisingly low expected levels of usage in the next three years as highlighted in Figure 18. The decline is another indicator of COVID-driven job losses and the “Great Resignation.” We speculate that the low expectations for the future are driven by the changing nature of work among Gen Z & Millennials described above, and Gen X & Boomers retiring and leaving the workforce in increasing numbers.

Having said that, it highlights the need for innovation around employee benefits and coverages for a younger generation who have different lifestyle needs as well as for on-demand workers who are estimated to be an increasing part of the workforce. Innovative new plans and insurance options such as pet, cyber and identify theft insurance as well as portability will become increasingly important to attract and retain employees, but also offer an opportunity to keep them as customers as they change jobs.

Voluntary benefits through your employer



Health insurance (that your employer provides and pays part of the cost)

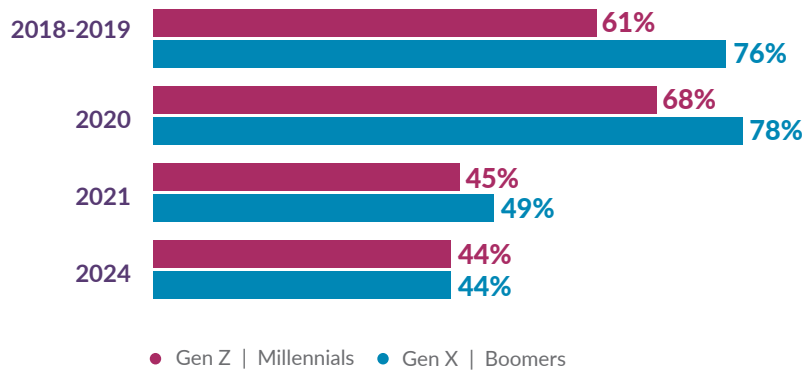
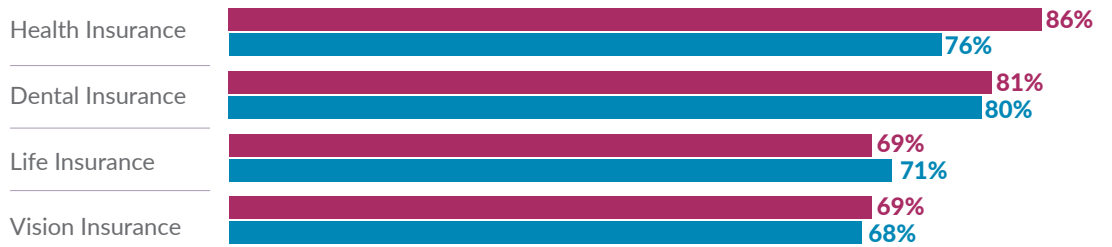


FIG. 18 Households with employer and voluntary benefits

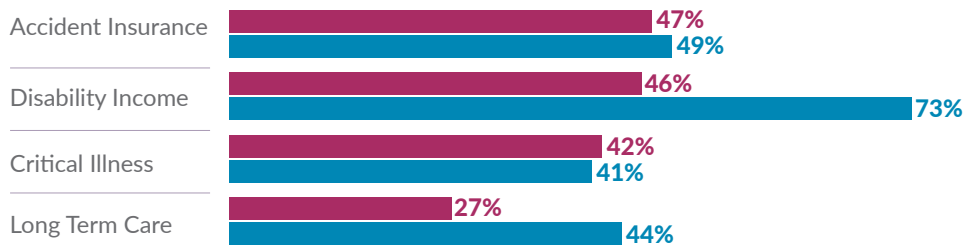
Among those using voluntary benefits in the future, there are three categories of benefits based on type and interest level:

1. First, the traditional benefits for health, dental, vision and life garner the highest interest from both generation segments, with health particularly important to Gen X & Boomers (76%).
2. Second, accident, disability income, critical illness and long-term care have a medium level of interest, with disability income exceptionally higher for Gen X & Boomers (73%) as compared to Gen Z & Millennials (46%). This gap reflects a significant opportunity for insurers to grow but will likely require education and different products given the transient nature of the younger generation.
3. Third, are the newer, non-traditional voluntary benefits averaging 15%-20%, reflecting potential growth opportunities. These products can be significant differentiators for employers to attract and retain talent with the younger generation. For example, homeowners insurance and student loan assistance have strong appeal with Gen Z & Millennials, while others in this group like identity theft and auto insurance appeal to both generation segments.

High Interest - Traditional



Medium Interest - Traditional



New, Non-Traditional (except Hospital Indemnity)

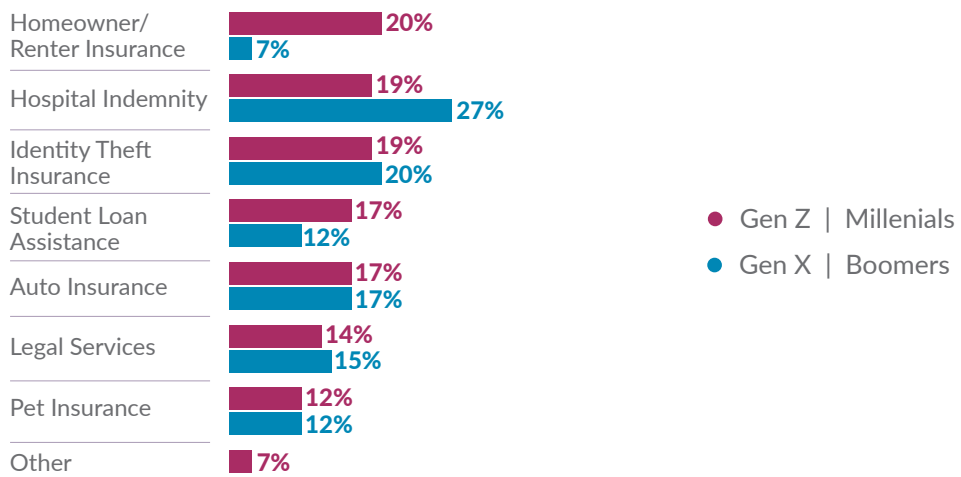


FIG. 19 Breakdown of anticipated/expected Voluntary Benefits

“Offering these benefits as part of different plans for different employee demographics and making them portable offers employers an opportunity to strengthen employee satisfaction and address the ongoing fight for talent that will continue.”

Offering these benefits as part of different plans for different employee demographics and making them portable offers employers an opportunity to strengthen employee satisfaction and address the ongoing fight for talent that will continue. As the older generation moves into retirement or semi-retirement, the desire to retain valued benefits via portability is also high, given that medicare does not cover all their needs. In our research last year, 64% of Gen Z & Millennials and 57% of Gen X & Boomers said this would be valuable to them. This jumped significantly for Gen X & Boomers this year, to 70%.



FIG. 20 Importance of Voluntary Benefits portability

Homeowner and Renter Insurance

Home and Rental Related Activities – Then, Now, Next

While a slight majority of Gen Z & Millennials own their home, this is a decline of 11 percentage points as compared to the start of 2020 (Figure 21). Gen X & Boomers had a similar decline of 9 percentage points. This is undoubtedly a reflection of COVID’s impact on many people’s financial conditions due to job losses, the “Great Resignation,” and with many Gen Z and Millennials moving home. A study by Legal and General formed a similar conclusion, noting that the pandemic caused many Millennials to shelve their plans for buying a home. Furthermore, the study reported that a “quarter of respondents are living with family or friends while they try to figure out what’s next.”⁸

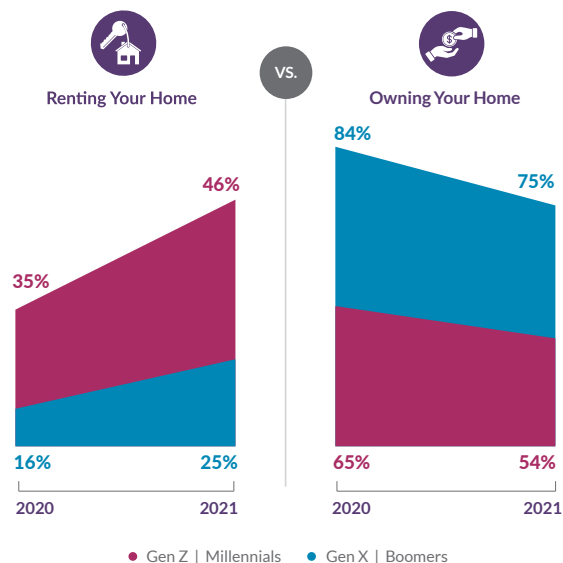


FIG. 21 Rates of home ownership vs. renting

Regardless of owning or renting, 33% of consumers invested in their home environment by setting up a work-from-home space, remodeling or renovating, or setting up a home gym, according to McKinsey research, a response to the population’s increase in time spent at home, which rose to 62% in 2020 from 50% in 2019.⁹ This reflects an increased investment in their home or other assets that may need additional coverage, but have insurers proactively assessed this opportunity?

Looking to the future, 50% of Gen Z & Millennials plan to move to a new home within the next three years with 70% buying and 30% renting. With 61% of these young movers expecting to have a larger home, there a huge market opportunity for those who can connect with them when and where they want.

“Looking to the future, 50% of Gen Z & Millennials plan to move to a new home within the next three years with 70% buying and 30% renting.”

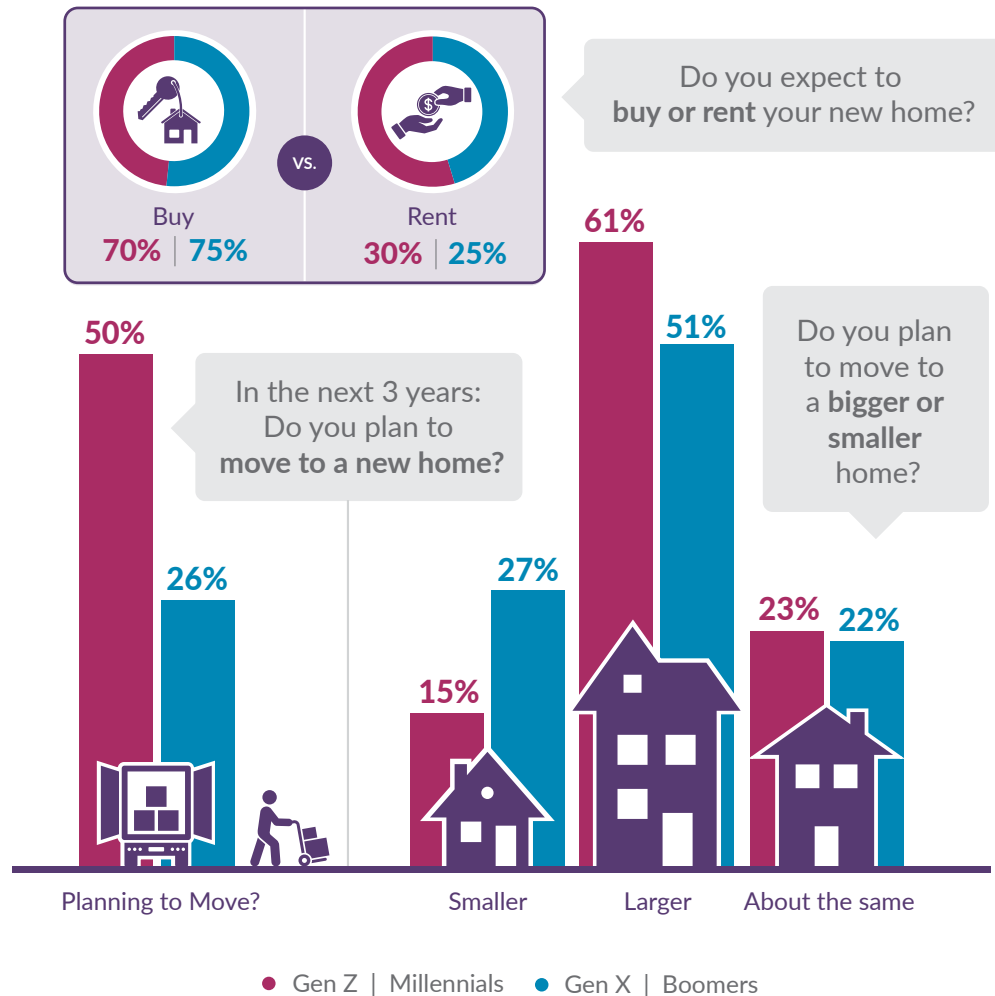


FIG. 22 Expectations for a new home in the next 3 years

Adding to the Gen Z & Millennial expectations, they are four times more likely to rent their home on a home sharing platform in the next three years, adding risk complexity and multi-use complexity to their insurance needs. Interestingly, 10% anticipate buying a second home, creating an additional opportunity to expand the customer relationship and drive revenue growth.

“Gen Z & Millennials are four times more likely to rent their home on a home sharing platform in the next three years, adding risk complexity and multi-use complexity to their insurance needs.”

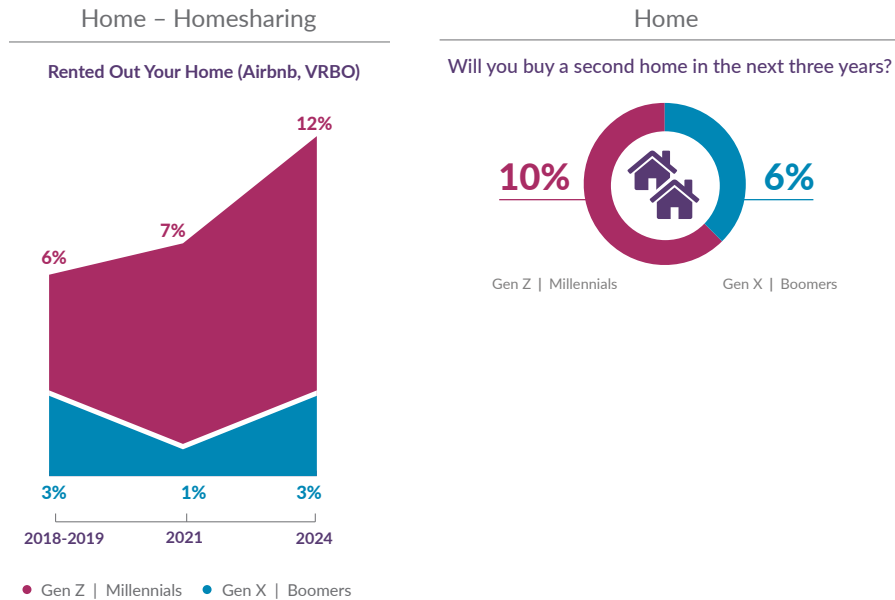


FIG. 23 Homesharing trends and expectations for purchasing a second home

“Gen Z & Millennials are clear-cut leaders in the use of connected/smart home devices like thermostats, smoke/CO detectors, video doorbells and home security devices/services.”

Representing still further market opportunities, Gen Z & Millennials are clear-cut leaders in the use of connected/smart home devices like thermostats, smoke/CO detectors, video doorbells and home security devices/services, outpacing Gen X & Boomers up to 63% this year (Figure 24). With this usage comes new expectations on how the devices will be used for the insurance coverage and other value-added services, likely shifting alliance to insurers who can meet these expectations.

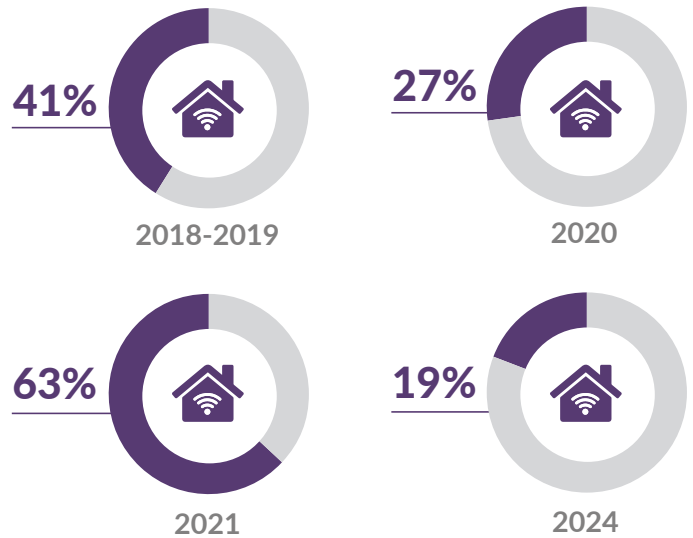


FIG. 24 Generation gaps in smart home device usage

Homeowners and Rental Insurance Products – Then, Now, Next

When comparing past results to this year for ownership of either homeowners and renters insurance, there was a sizable drop in 2021 within both generational segments, as seen in Figure 25. While a decline in home ownership would result in potential higher rentals, the drop in renters insurance ownership suggests a lost market opportunity. And as noted, Gen Z & Millennials anticipate increased home ownership in the future that offers further market opportunity. The key is to anticipate their needs with the right products at the right time.

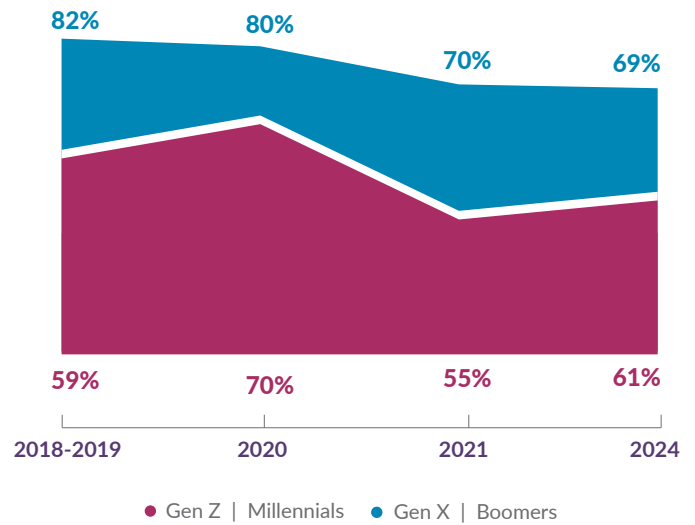


FIG. 25 Households with home or renter insurance

“Gen Z & Millennials anticipate increased home ownership in the future that offers further market opportunity. The key is to anticipate their needs with the right products at the right time.”

Value-Added Services: Homeowners & Renters

Insurers offering value-added services in addition to the basic risk product will be more successful in capturing and retaining both generational segments as reflected in Figure 26. Value-added services that help manage prevention and recovery are top areas of interest.

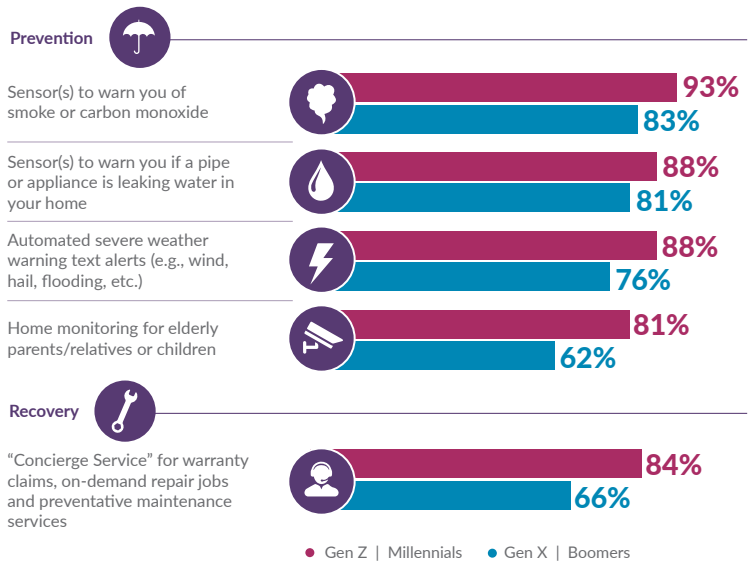


FIG. 26 Interest in home or renter insurance value-added services

“Insurers offering value-added services in addition to the basic risk product will be more successful in capturing and retaining both generational segments.”

Both generations are likely to use sensors and alerts for preventing or mitigating losses from fires, carbon monoxide, water leaks, or severe weather. Gen Z & Millennials outpace Gen X & Boomers by 18-19 percentage points, reflecting their strong interest in and use of technology. Concierge services generate strong interest with both generations. However, Gen Z and Millennials’ interest reflects a generational shift, where they seek services to help them in their daily lives – like food and grocery delivery, Amazon delivery, mobile dog grooming and more.

One area that stands out is home monitoring for the elderly and children. For those who expect to be caring for an aging parent or relative in the future, this is an exceptionally strong with 82% of Gen X & Boomers and 92% of Gen Z & Millennials interested. Some innovative insurers have begun experimenting with this to be prepared for the massive number of aging adults expected in the next 10-20 years.

Customer Experience – Homeowners & Renters Insurance Purchase Channels

A solid risk product teamed with useful value-added services is not enough to stack the odds in an insurer’s favor. The final key component is an outstanding customer experience – both in purchasing and using the product. Both generational segments strongly agree that traditional insurance company and agent channels deliver the best purchase experience for home and renter insurance, as reflected in Figure 27.

“The bottom line is that customers are increasingly moving away from the traditional siloed, separate purchase of insurance to one that is offered or embedded at the time of purchase or renting, a major distribution channel shift requiring new partnerships and relationships to meet customers on their terms.”

However, Gen Z & Millennials are very open to buying insurance through another channel, such as part of the home buying or renting process, whether through their bank or credit union, mortgage company, or rental leasing company. Most interesting is having the renter insurance included in the monthly rental fee, in which 86% of Gen Z and Millennials and 76% of Gen X & Boomers express interest. Even high-tech options like Amazon and Google have strong interest by the younger generation – posing either a threat for insurers, or an opportunity to partner with them.

The bottom line is that customers are increasingly moving away from the traditional siloed, separate purchase of insurance to one that is offered or embedded at the time of purchase or renting, a major distribution channel shift requiring new partnerships and relationships to meet customers on their terms.

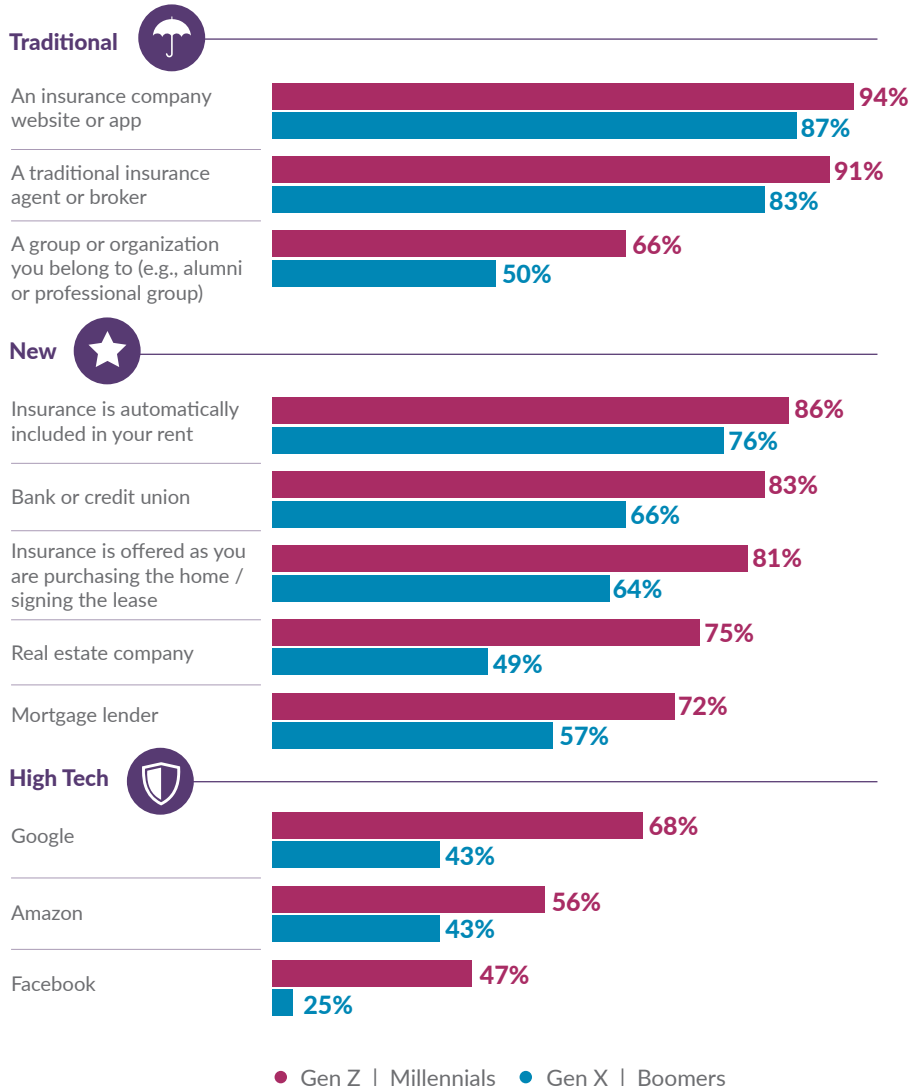


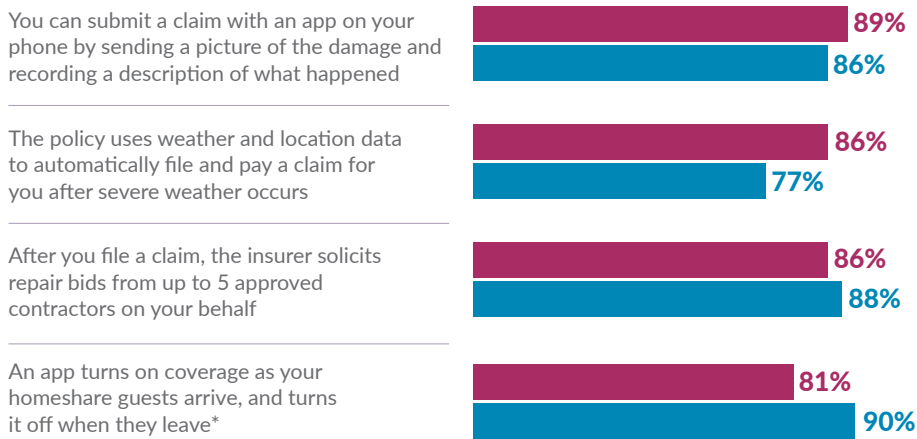
FIG. 27 Interest in home or renter insurance purchase channels

Customer Experience – Homeowners & Renters Insurance Ease of Use

Overwhelmingly, there is strong agreement between the generational segments with regard to claims options. The ease and convenience of submitting a claim with a photo of the damage via a smartphone app to using weather and location data to automatically submit a claim is exceptionally high at 77% - 89%. Taking convenience one step further, customers would like insurers to solicit repair bids from approved contractors on their behalf by 86% - 88%. For those who want home sharing on-demand insurance, the ease of turning on and off the insurance is also very high at 81% - 90%.

“These results highlight a key customer experience demand – making customers’ lives easier with digital solutions that enhance the relationship, particularly during the claims moment of truth.”

These results highlight a key customer experience demand – making customers’ lives easier with digital solutions that enhance the relationship, particularly during the claims moment of truth.



* Among those who said they did/would rent out their home/room through a service like Airbnb, VRBO

● Gen Z | Millennials ● Gen X | Boomers

FIG. 28 Interest in ways to activate and determine the cost of home or renter insurance

Auto Insurance

Auto Insurance – Then, Now, Next

Ownership of auto insurance has remained consistently high over the past four years for both generational segments, as seen in Figure 29. However, both segments expect to see a slight decline of 5-6 percentage points in the next three years. This decline could suggest a shift to use of embedded insurance in the purchase or lease of a car, eliminating the need to purchase auto insurance.

While 5% to 6% seems small, when applied to the personal auto total DWP of \$162,476,549,796 reported by NAIC,¹⁰ that represents a potential decline of nearly \$10M in DWP revenue which will need to be replaced elsewhere.

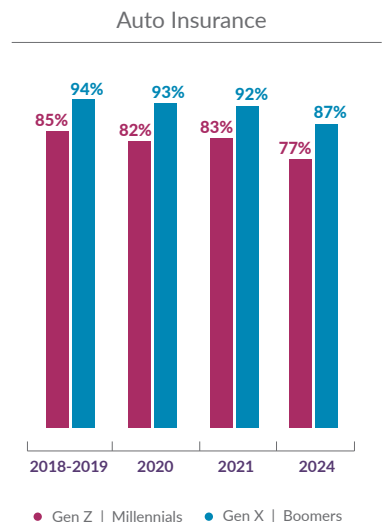


FIG. 29 Households with auto insurance

Value-Added Services - Auto Insurance

Gen Z & Millennials are very interested in services that provide real-time information on driving safety and performance, keeping their vehicle safe and maintained, maintaining license and registration renewals, and knowing the market value of their vehicle. These services have less broad appeal to Gen X & Boomers, but recall alerts, real-time driving condition alerts, and license and maintaining registration renewals offer an opportunity to create value and engagement. For both generational groups, these value-added services offer new value beyond the auto risk product to drive satisfaction, reduce risk and retain customers.

“For both generational groups, these value-added services offer new value beyond the auto risk product to drive satisfaction, reduce risk and retain customers.”

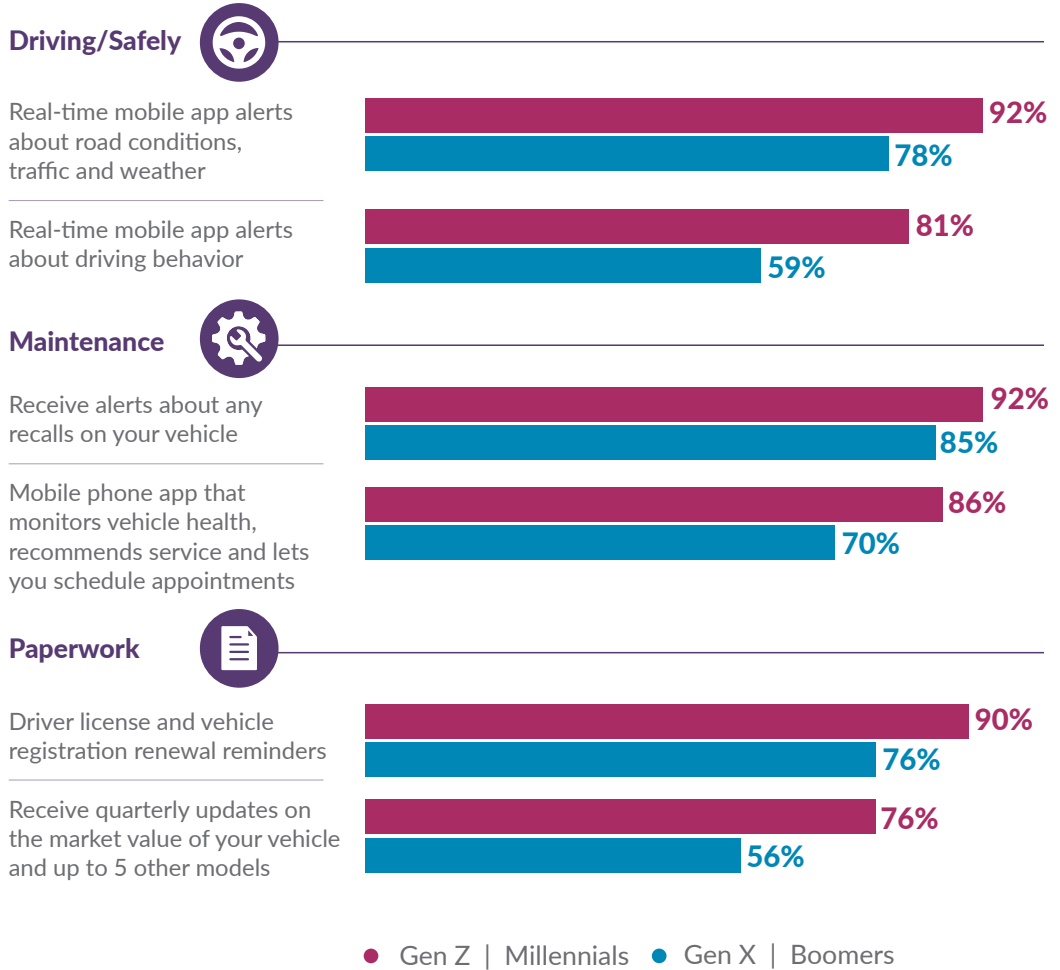


FIG. 30 Interest in auto insurance value-added services

Customer Experience - Auto Insurance Purchase Channels

Traditional channels, including insurer websites or apps and agents are overwhelmingly the preferred method of purchase for both generational segments. However, among other traditional channels such as purchasing from a dealership or through another organization, the older generation’s interest drops up to 23 percentage points compared to the younger generation.

This trend continues when looking at the new and “high tech” channels, where there are huge gaps up to 25 percentage points between the younger and older generations. The lone exception is for those who work as rideshare drivers purchasing insurance from their rideshare company.

Consistently, the Gen Z & Millennial segment is broadly open to all channels. This highlights the need for insurers to offer and partner with other entities to meet them where and when they want to purchase insurance, moving into a multi-channel world. In contrast, Gen X & Boomers’ comfort with the traditional channels further highlights the need to understand channel preferences by customer segment.

It all comes down to trust and convenience. While Gen Z & Millennials see the value of traditional channels, they are more focused on convenience and trust, which is why they are open to other new or high tech channels. Their experience and trust with companies like Google and Amazon, meet both their needs. Insurers who offer or embed insurance at the point of sale directly or with partners will transform the purchase process to one that is convenient, seamless and quick – a foundational expectation of the younger generation across all industries, including insurance.

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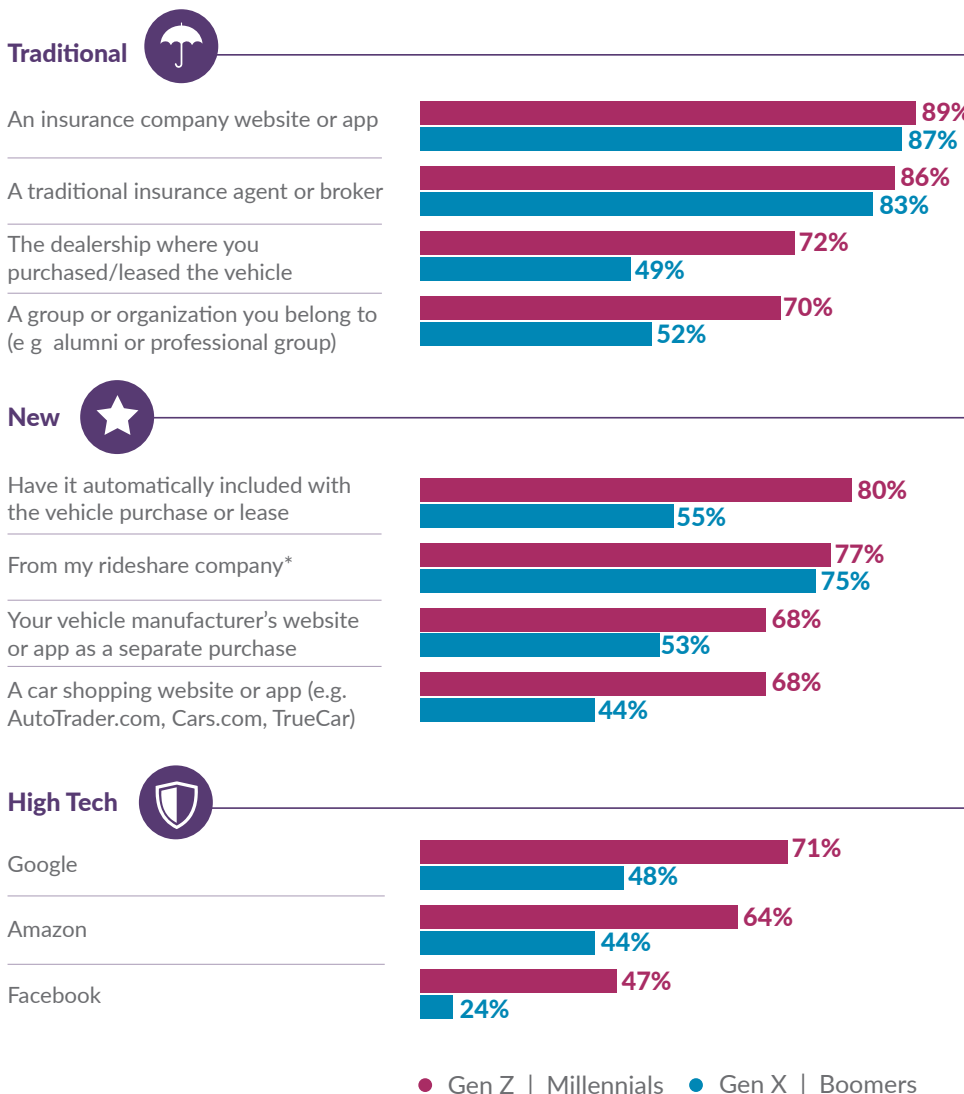


FIG. 31 Interest in auto insurance purchase channels

But will Gen X & Boomers eventually accept some of the new channels for auto insurance? Interestingly, while still strong, the two dominant traditional channels slipped in preference compared to our 2020 survey, as seen in Figure 32. And in contrast, there were large positive swings in preference for the three High Tech channels for both generations.

The continuation of these channel shifts will undoubtedly be driven by consumer shifts to digital shopping and purchase channels that exploded during the pandemic. For agents and brokers, it's more important than ever to create a digital experience with the help of insurers and be part of a multi-channel distribution ecosystem for buying and servicing insurance and value-added services to remain competitive.

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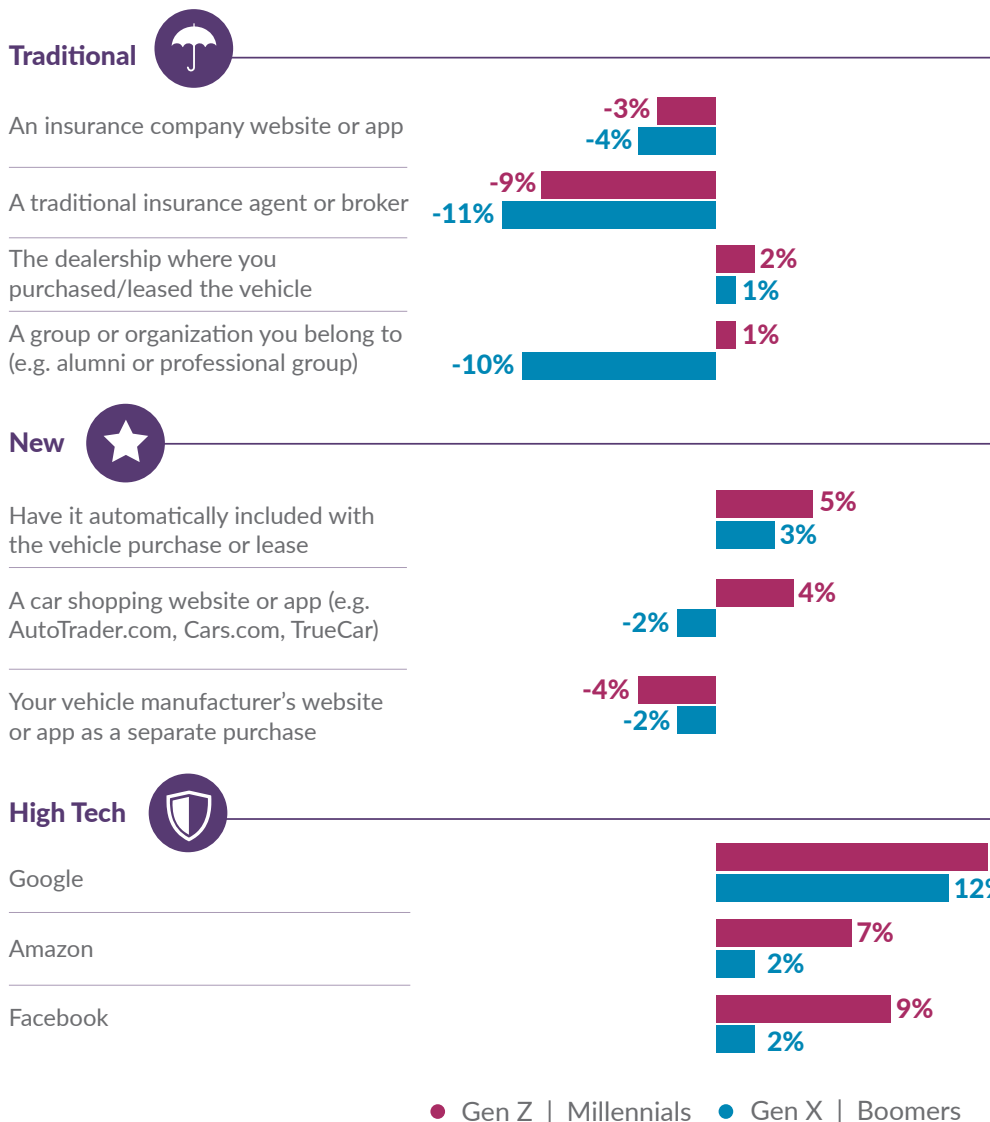


FIG. 32 Changes in auto insurance purchase channel interest 2020 to 2021

Customer Experience - Auto Insurance Pricing and Claims

Both generational segments are strongly open to a wide range of pricing and claims options.

- Over 80% would use pricing based on driving behavior and number of miles driven, which accelerated in use during the pandemic. Even monthly rates based on whether the car is parked or driving show a strong interest over 76%.
- Overwhelmingly, rideshare drivers give high marks of over 90% for the rate being adjusted automatically by an app based on how the car is being used.
- Both generational groups have strong interest in app-assisted claims processes, from 71% - 91%. The nuanced difference for Gen X & Boomers reflects a desire for a process where they are in control. In contrast, the younger generation is very interested in parametric or automated claims processes which once again tie to their desire for digital convenience.

Regardless, the strong results highlight the growing demand for new pricing and claims options for auto insurance that customers will expect as they consider buying new or renewing their insurance. Those who are not advancing in these capabilities will likely fall well behind others who are leading the industry and capturing market share.

“Regardless, the strong results highlight the growing demand for new pricing and claims options for auto insurance that customers will expect as they consider buying new or renewing their insurance.”

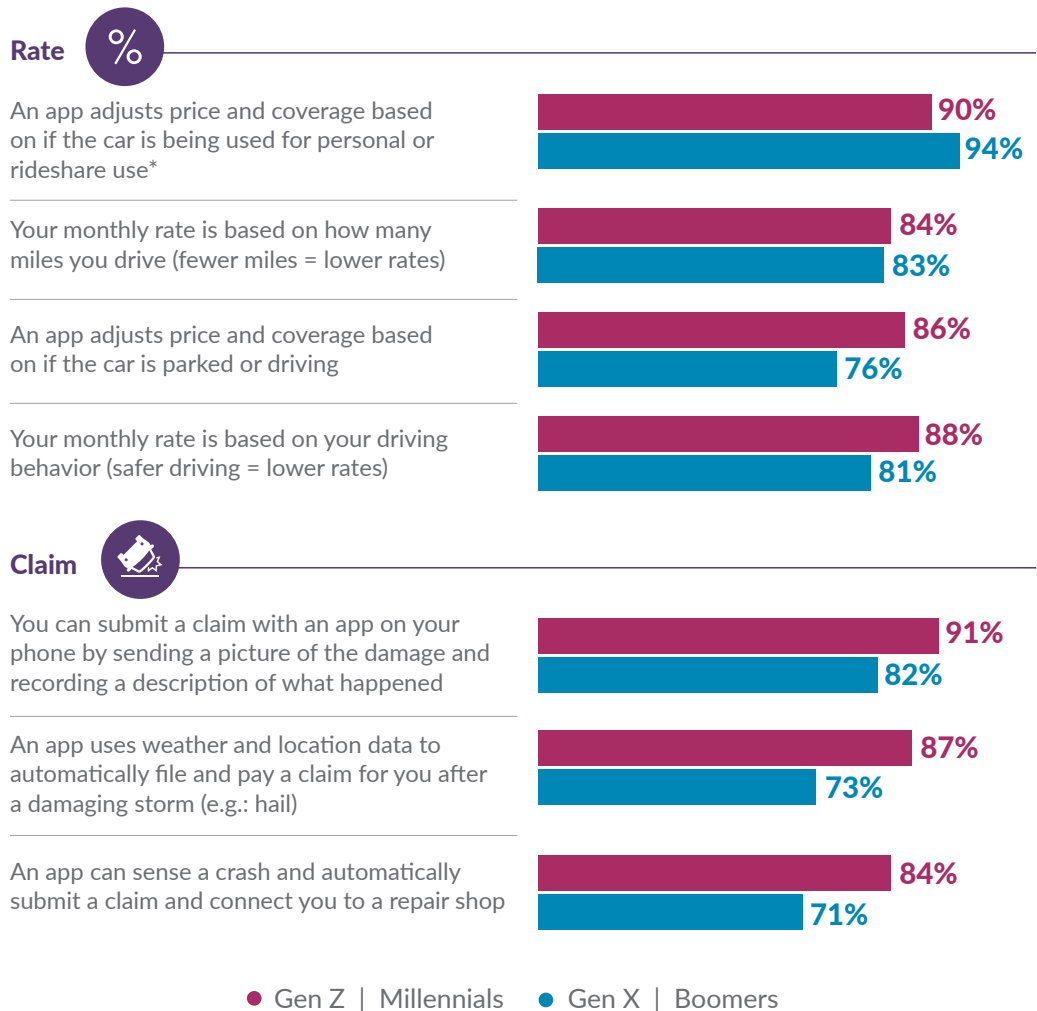


FIG. 33 Interest in ways to activate and determine the cost of auto insurance

Mobility Insurance

Mobility – Then, Now, Next

In our previous [Mobility research](#), we noted the significant change around automotive is resulting in companies outside insurance coalescing around a shift to the concept of “mobility.” From the decline in car ownership for the first time since 1960, to the rise of ride-hailing and car-sharing services, a plethora of transportation options continue to expand – hence the focus on mobility.

“This shift to mobility expectations will lead to growth opportunities for insurers who look beyond the traditional auto insurance offering.”

This shift to mobility expectations will lead to growth opportunities for insurers who look beyond the traditional auto insurance offering. According to the American Time Use Survey, the percentage of people traveling in 2020 dropped by 17 percentage points, to 67% from 84% in 2019¹¹ – likely driven by the remote work environment.

Use of rideshare services like Uber and Lyft dropped when COVID hit in 2020 and continued to decline, especially among Gen X & Boomers. Gen Z & Millennials continue to value mobility as they use new mobility options like electric bikes or scooters or short-term rental of cars from a service like Zipcar or another person’s car through a platform like Turo or Getaround.

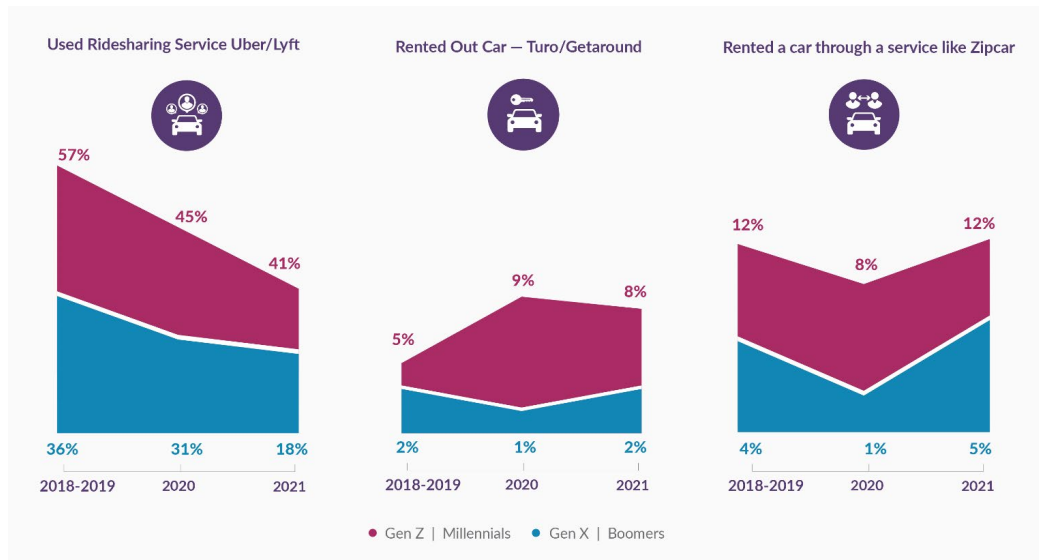


FIG. 34 Mobility auto trends

However, the automobile is still important to Gen Z & Millennials. They bought and/or sold a vehicle at over twice the rate of Gen X & Boomers, with 42% indicating they bought or leased a car, 21% sold a car and 11% sold or stopped using a car.

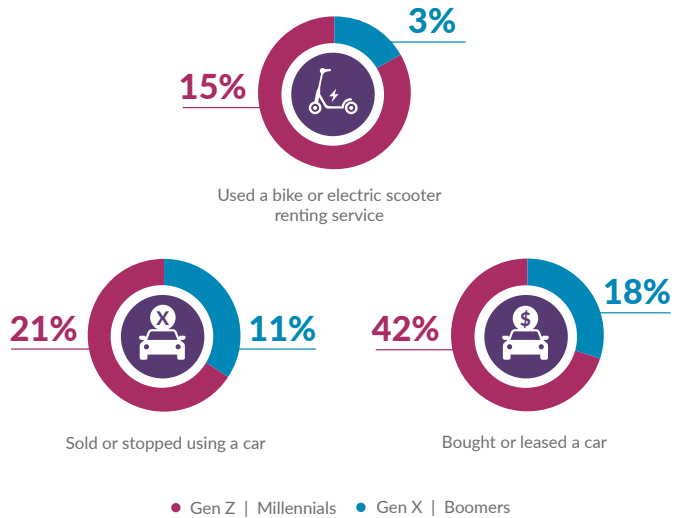


FIG. 35 Mobility activities in the past year

“In the next three years automobiles will see a resurgence. Gen Z & Millennials in particular will be buying/leasing new vehicles and expect to be driving more than they currently do.”

In the next three years automobiles will see a resurgence. Gen Z & Millennials in particular will be buying/leasing new vehicles and expect to be driving more than they currently do. This suggests two key potential shifts in auto insurance:

1. First, the popular UBI based insurance, which saw growth due to COVID and remote work, may need to be adapted beyond just miles driven, to consider where and how driving to manage customer value and cost expectations.
2. Second, the surge in buying new vehicles that have embedded, sophisticated technologies for telematics, sensors, driverless and more will likely create demand for embedded insurance in the purchase, which many of the major auto manufacturers are moving to and require insurers to offer similar coverages and services to retain customers or to partner with the manufacturers.

Regardless, the growth in new, technically sophisticated vehicles will require insurers to move beyond both traditional auto and UBI insurance to new options that are inclusive of value-added service.

Furthermore, with the easing of COVID restrictions the pent-up demand for travel, especially within the U.S. is expected to grow. This offers a market opportunity to provide on-demand coverage for specific events, trips, mobility options and bundled packages, such as American Family’s [Road Trip Accident Accommodations Coverage](#).

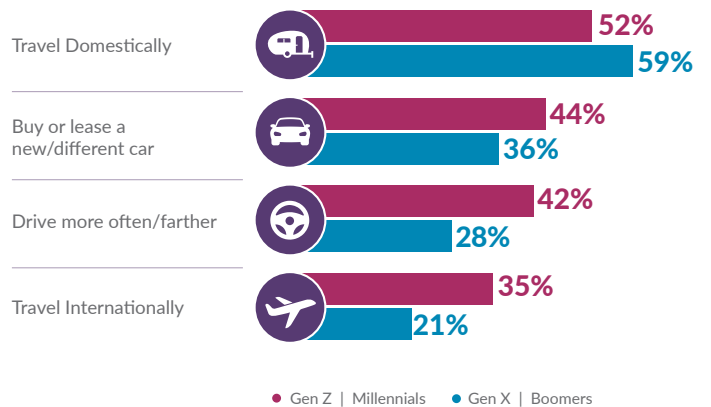


FIG. 36 Mobility expectations in the next 3 years

Implications and Opportunities for Insurance

As we have discussed in prior research, the definition of a product is changing from just the risk coverage to include value added services and the customer experience. The results of our customer research reinforce this shift.

From a product perspective, customers expect an expanding array of products to meet their changing behaviors, needs and expectations. The Gen Z & Millennial generation is vastly different than the older generation, both in terms of their lifestyle but also their digital savvy and life journey. However, both still want digital and multi-channel options as well as a growing array of value-added services.

“The Gen Z & Millennial generation is vastly different than the older generation, both in terms of their lifestyle but also their digital savvy and life journey. However, both still want digital and multi-channel options as well as a growing array of value-added services.”

This presents significant implications as well as opportunities for insurers, all based on how rapidly they plan and execute against them, particularly given many InsurTech start-ups and incumbent insurer greenfields are specifically targeting the Gen Z & Millennial generation today with new, innovative products, value added services and experiences that are vastly different than most traditional insurers.

Insurers and Customers – Aligned or Misaligned?

We analyzed the consumer data against insurer data from a joint research project with PIMA in 2020 for program business and affinity plans for three insurance segments as seen below. Overall, there is more misalignment than alignment, most noticeably for life and auto.

Product and Channel

This means that most insurers are not focused on customer preferences, let alone embracing a robust multi-channel strategy. Their limited reach limits their growth, particularly for the younger generation who will determine future insurance leaders. This older generation has been the foundation of customer and revenue growth the last few decades. But as they reduce or eliminate their insurance usage due to lifestyle changes as the enter, or are well into retirement, they will need to be replaced by the younger generations. However, these new customers are vastly different in terms of needs, expectations and behaviors that influence product purchases. This creates significant implications for insurers who are not prepared or ready to respond today.

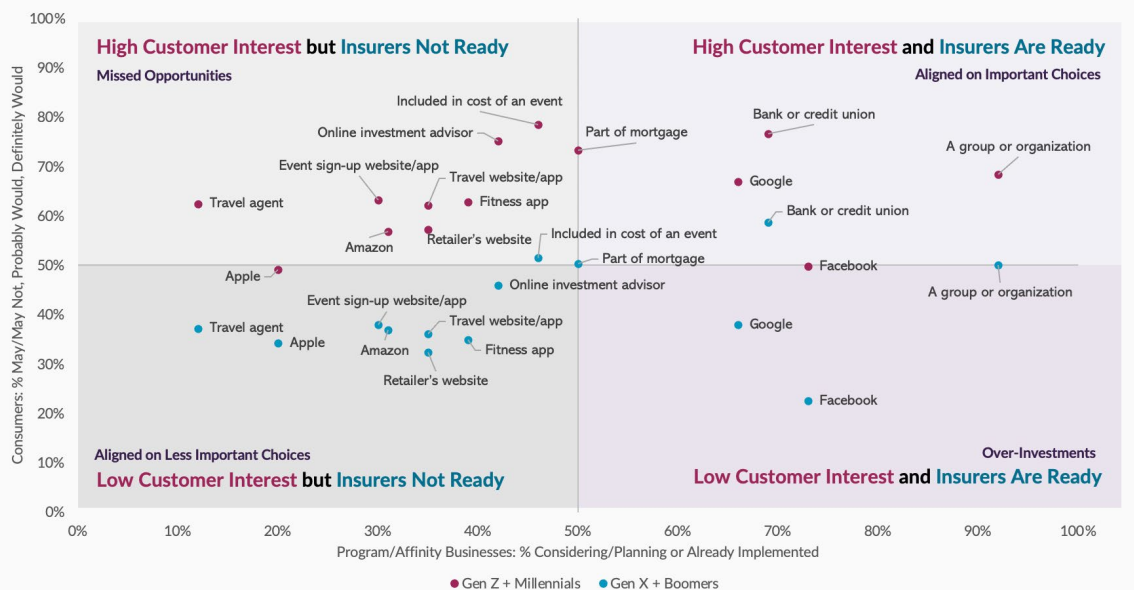


FIG. 37 Life/Health/Accident insurance channel alignment/misalignment

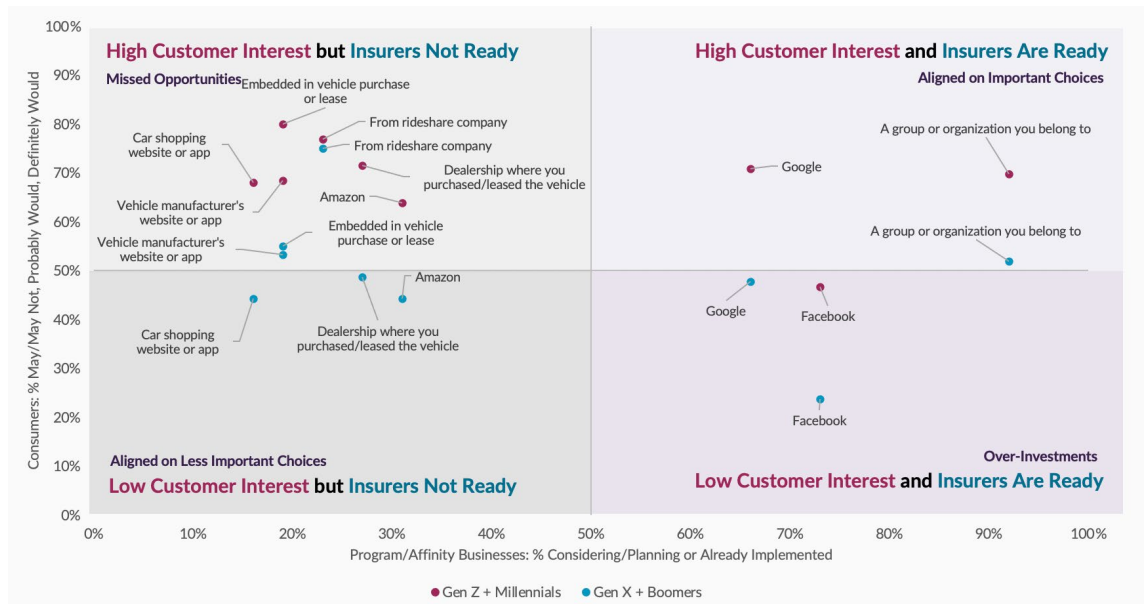


FIG. 38 Auto insurance channel alignment/misalignment

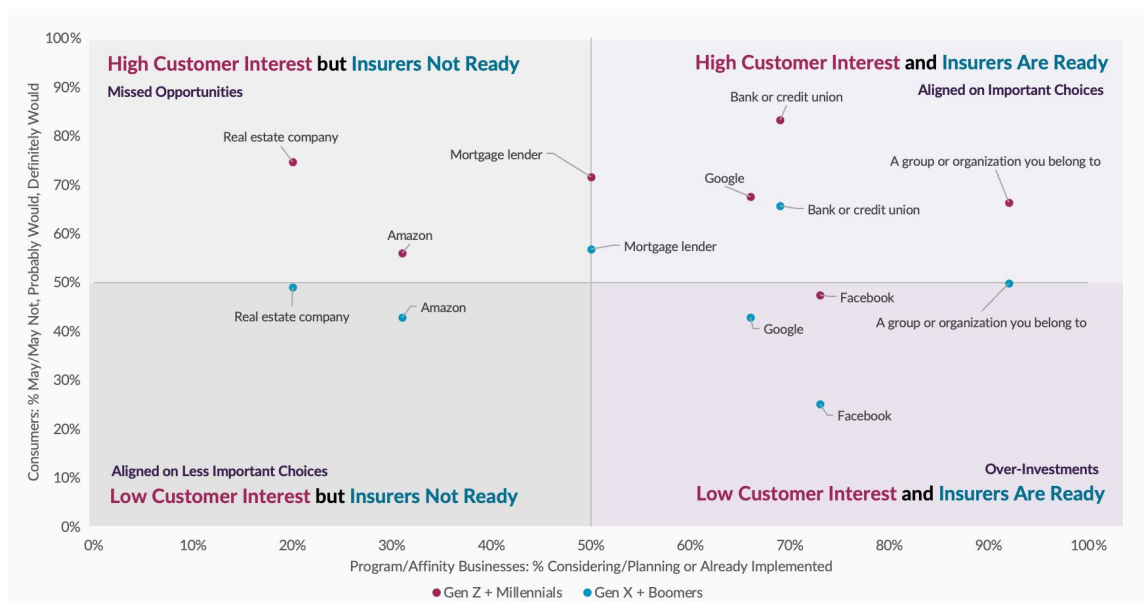


FIG. 39 Home/renter insurance channel alignment/misalignment

Customer Experience

There is also considerable insurer-customer misalignment in the customer experience. Both generation segments use websites at similar levels for managing insurance, finance and lifestyle products and services. However, insurance falls woefully behind in giving customers the ability to manage their products and services with mobile apps. This is especially concerning with Gen Z & Millennials, whose use of apps is 21 and 31 percentage points higher for finance and lifestyle products and services, respectively. These are gaps that must be closed by insurers.

A recent Carrier Management article noted how even people who were previously averse to using technology for everyday tasks have embraced it, citing an AARP study that found the percentage of U.S. adults over 50 years old (Gen X & Boomer segment) using a smartphone to make financial transactions rose to 53% in 2020, up from 37% from 2019.¹²

“Insurance falls woefully behind in giving customers the ability to manage their products and services with mobile apps.”

Zurich Group Chief Claims Officer Ian Thompson said in the article that “the pre-pandemic era was overly-focused on building an ‘app’ through which customers would have to engage.” Today the focus is on creating a holistic experience across different products, services and channels. As we noted in last year’s consumer research report, the holistic experience was strongly desired by the younger generation, while of interest to the older generation in certain areas. The 2021 data indicates this is still strong for both generational groups (Figure 41) and growing even stronger compared to last year (Figure 42).

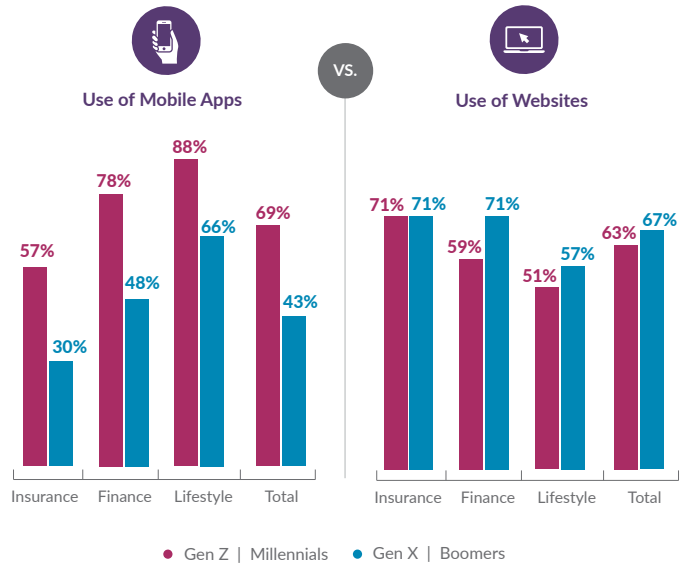


FIG. 40 Use of digital tools to manage accounts

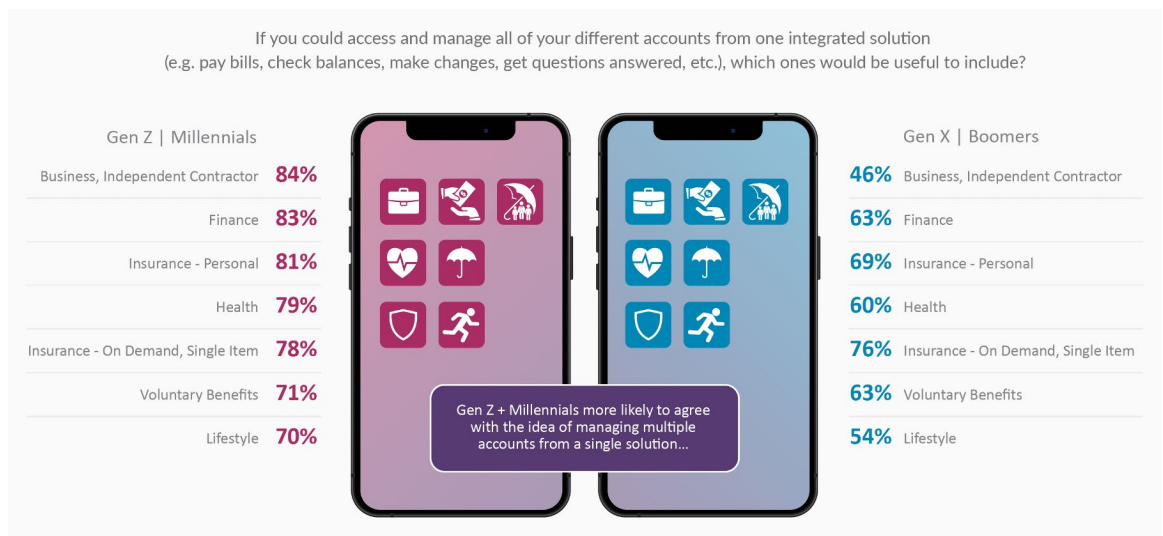


FIG. 41 Customer interest in a holistic solution to manage all of their accounts

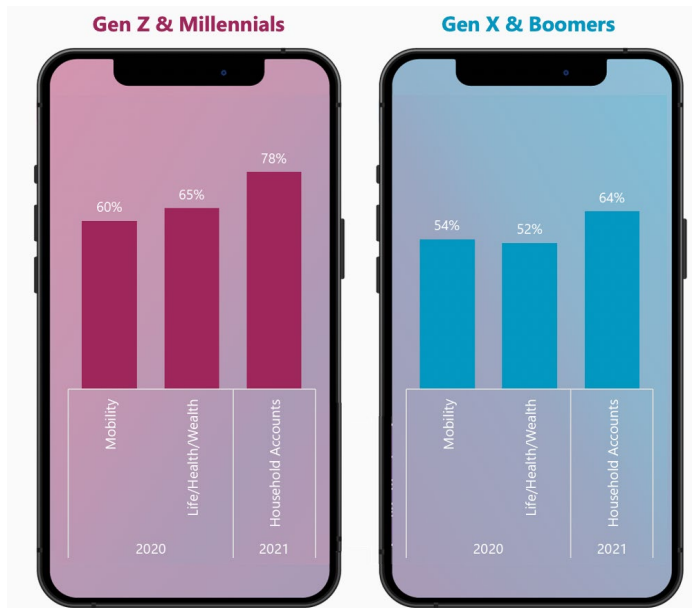


FIG. 42 Increased interest in a holistic solution, 2021 vs. 2020

“Interaction preferences vary widely based on the type of insurance transaction the customer is doing.”

Further analysis also shows that interaction preferences vary widely based on the type of insurance transaction the customer is doing. Both generation segments follow similar patterns, with digital, asynchronous methods working well for simpler tasks like researching insurance or checking on the status of a claim, and real-time, in-person methods preferred for more complicated tasks like reporting a serious claim or resolving policy questions. Despite the similar patterns between the segments, there is a consistent gap in the strength of preferences between them, with Gen Z & Millennials more strongly wanted to do things digitally.

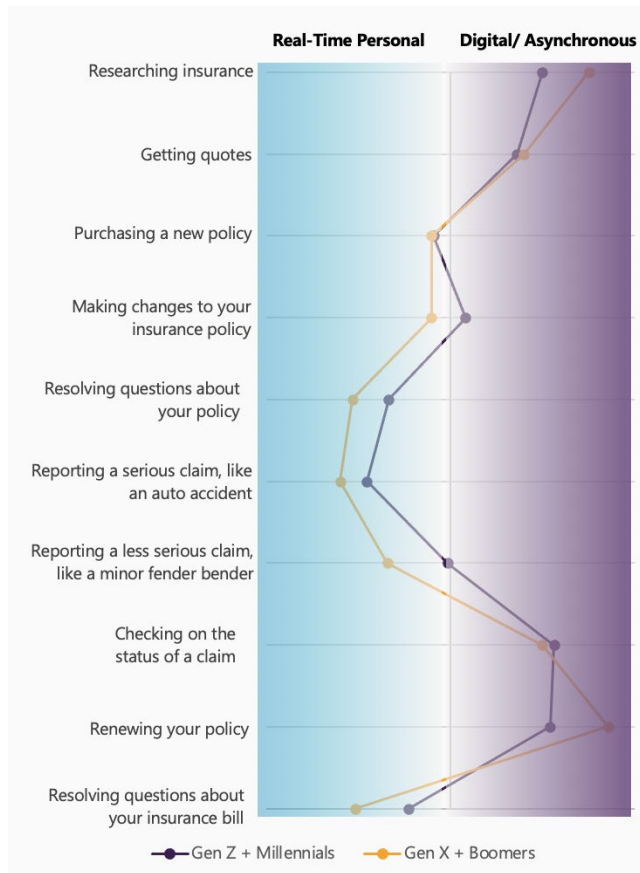


FIG. 43 Customer's insurance journey preferred interaction methods

Conclusion

Gaps between where you are and where you need to be in order to be competitive and meet customer expectations aren't normally the result of just one issue. It is like death by a thousand cuts, those cuts being gaps from many challenges that all add up to tremendous pressure to change. COVID exacerbated these challenges, particularly through the rapid rise of digital expectations for all generations, coupled with the shift in dominant buyers to the Millennial and Gen Z generation whose life journey, needs and expectations are dramatically different than the previous generation.

Unfortunately, many insurers don't know why there is a gap, what the factors of those gaps are, and how are they inter-related. This creates a dangerous spot to be in.

“Unfortunately, many insurers don't know why there is a gap, what the factors of those gaps are, and how are they inter-related. This creates a dangerous spot to be in.”

Digital tech and automation will run the future of every business, including insurance. “Pay-as-you-live,” “Protect-as-you-go,” “Buy where, when and how you need it,” “Simplify my life and experience,” and “Prevent-as-you-live” technologies and insurance are commanding insurers' strategic and operational attention.

Today, customers pay right where they are, often without cracking a wallet open. They are asking Alexa to do their research, buy and pay. Apps are keeping track of what we eat, how we sleep, how we exercise, capturing our tastes in music and they are anticipating our next steps and suggesting responses in an attempt to save us time through automation. Wearables are watching us walk and insurers like John Hancock Vitality are incentivizing healthy behavior. Customers are talking to their cars and their cars are intermediating transactions for them using voice recognition and digital connectivity. In September of 2020, Juniper Research released its report on in-vehicle payments, predicting \$86 billion in payments in 2025 through embedded vehicle systems, up from \$542 million in 2020.¹³ And that is just the beginning!

The recent J.D. Power 2021 U.S. Claims Digital Experience Study SM conducted in partnership with Corporate Insight, reflects the satisfaction impact of not meeting customers' expectations.¹⁴ The report notes that the insurance industry's digital customer experience is significantly lagging far behind financial services and other industries. All of the key performance indicators achieved a satisfaction of less than 50%, often significantly less compared to the gains in digital customer engagement and satisfaction by nearly every other industry. While this study focused on P&C claims, which they note is to be the “tip of sword for digital transformation,” the results reinforce the gap between insurers and customers for both P&C and Life as highlighted in our consumer research.

Just consider the following competitive challenges of not responding:

- Meet Customers on their terms. If speed, ease, familiarity and trust trump research, product strength or even pricing, then open banking, financial, retail, or other open platforms will allow any market-savvy company to generate insurance business, by offering insurance through partnerships with insurers or developing their own unique insurance offering. Companies with massive customer bases, like Walmart, Tesla, PetCo, Ikea and Amazon stand to win simply because of their placement within customer lifestyles.
- Customers are quickly developing their own foundation for how they pay for services and move money – choosing those companies and methods that are easiest and that gain them the most points or benefits. They are looking for someone to make life easy across multiple financial fronts, not just insurance.
- Use of new technologies such as IoT devices, telematics, payment options, and new data sources are crucial to offering personalized, innovative new products expected by a new generation of customers who are willing to share their data for a personalized offering.

- Creating and leveraging an ecosystem of partners to offer value added services will expand your value, meet customer demands and drive enhanced customer experiences.
- Customer experience must move beyond transactional portals to offer broader holistic experiences that bring together what is important to the customer, not to you, the insurer.

For decades, the creation and evolution of insurance markets and products unfolded at a slow and steady pace. Insurers' technology, data and processes were adapted to take advantage of these opportunities – sometimes through technology updates, extensive customization or through new technology. But today, they are unresponsive to market shifts or opportunities.

“The industry status quo for insurance is increasingly irrelevant. Insurance is being re-defined by the customer, upending decades of business assumptions. Opportunity exists for those who shift their operating model and technology to meet the customer on their terms.”

Success will be in moving from the past to the future of insurance ... rapidly, recognizing the market is much different now. Customer needs and expectations are dramatically different now. The accelerated pace of digital expectations is significantly different. The access to and use of data is very different. The channel and partner options are exponentially different. The result is that the business operating model and technology of the past will not support success for today and the future.

The industry status quo for insurance is increasingly irrelevant. Insurance is being re-defined by the customer, upending decades of business assumptions. Opportunity exists for those who shift their operating model and technology to meet the customer on their terms.

Ask yourself this ... What would Alexa tell you if you asked these questions?

- Are you safely in the center of customer expectations, needs and market demand to capitalize on opportunities – across different generational groups? Or are you so far off that you are standing on the edge of a cliff?
- Are you ready for a greater focus on customer-driven digital transformation?
- Does your technology accelerate your digital transformation?
- Do you have an ecosystem strategy?
- What partners are crucial to meet customers on their terms?
- Can you utilize digital in your bid to become a competitive and relevant insurance leader and achieve the profitable growth that comes with it?
- How do your strategies align to what leaders are doing?
- What specific plans can you take to improve your odds of success?

Your answers will determine your readiness in a new era of insurance that has already started.

About the Authors



Denise Garth is Chief Strategy Officer at Majesco, she is a widely regarded InsurTech and industry thought leader and recognized InsurTech Top 50 Influencer and Top 50 Women Leaders in SaaS, Denise Garth is the Chief Strategy Officer at Majesco. Majesco is a global leader of cloud insurance software solutions with products that empower insurers to modernize, innovate, and connect their business at speed and scale. Garth began working at Majesco in 2015 as a Senior Vice President in Strategic Marketing, Industry Relations, and Innovation. Garth leads the company's strategy, marketing, industry relations, and innovation in support of Majesco's client-centric strategy. With both P&C and L&A insurance experience, Garth has also authored research and articles grappling with the key issues and opportunities facing the insurance industry.

Prior to Majesco, Garth's extensive leadership career has spanned both business and IT across the insurance industry such as Century Companies, CUNA Mutual Group, Mutual of Omaha, Bowne Global Solutions, ACORD, Innovation Group, and Strategy Meets Action. A renowned strategic thinker, innovation leader, international speaker, and author, Garth has deep international ties across North America, Asia and Europe. She is active in the InsurTech space, is an Advisory Board Member for the Silicon Valley Insurance Accelerator, and a Mentor for the Global Insurance Accelerator. Garth holds a bachelor's degree in math and computer science from Central College in Iowa.



Glenn Westlake is VP of Strategic Marketing at Majesco. He is responsible for supporting Majesco's client-centric strategy by bringing information and insights to Majesco customers about consumer behaviors and marketplace trends, and their implications for insurance. He has over 20 years of experience in market research and insurance, with 13 years serving as the Director of Consumer Research at American Family Insurance in Madison, WI.

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- ¹³ Phillips, Tom, "Juniper forecasts 'dramatic growth' in in-vehicle payments for fuel, parking and ecommerce," NFCW.com, September 28, 2020, <https://www.nfcw.com/2020/09/28/368195/juniper-forecasts-dramatic-growth-in-in-vehicle-payments-for-fuel-parking-and-ecommerce/>
- ¹⁴ "Digital Insurance Claims Management Languishes, J.D. Power Finds," J.D. Power, December 7, 2021, <https://www.jdpower.com/business/press-releases/2021-us-claims-digital-experience-study>